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ABSTRACT

The effectiveness and efficiency of procedures employed by the federal government and participating education institutions to operate and manage the campus based and Basic Educational Opportunity Grant assistance programs are evaluated. Information was obtained by mail surveys of 756 colleges and universities. An overview is presented of the surveyed institutions, and the current condition and structure of their financial aid offices. The characteristics of schools that participate in the grant programs and of those that do not participate are described, as are reasons for nonparticipation. Factors affecting participation of students in the financial aid programs were analyzed, including counseling, consumer information, application processes, need determination, and aid packaging. A general model of aid packages is presented, which includes estimation of the cost of education, estimation of the financial resources of the aid applicant, and verification of data reported by applicants. Burdens and benefits of program oversight procedures (e.g., monitoring and validation) are analyzed for both institutions and the federal government. Administration of the National Direct Student Loan program is considered, including compliance with guidelines, characteristics of institutions, default rates, and student vs. school contributions to the default rate. Information on the research approach employed in this study and related studies is included. (SW)

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Applied Management Sciences, Inc. ◆ 962 Wayne Avenue ◆ Silver Spring, Maryland 20910 ◆ (301) 585-8181

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Dr. Robert T. Deane, Project Director
Dr. Joseph Felder, Technical Manager
Dr. David Ring, Senior Project Analyst
Ms. Wendy Dellefield, Project Analyst
Mr. Scott Miller, Project Analyst
Mr. Thomas Musso, Project Analyst

G-129

STUDY OF PROGRAM MANAGEMENT PROCEDURES IN THE BASIC GRANT AND CAMPUS BASED PROGRAMS

ANALYSIS OF THE INSTITUTIONAL ADMINISTRATION OF STUDENT FINANCIAL AID PROGRAMS USING DATA COLLECTED IN THE INSTITUTIONAL MAIL SURVEY

September 1980

U.S. EDUCATION DEPARTMENT
Office of Program Evaluation
Transpoint Building, Room B-110
Washington, D.C. 20202

APPLIED MANAGEMENT SCIENCES

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Applied Management Sciences

962 Wayne Avenue • Suite 701 • Silver Spring, Maryland 20910 • Telephone (301)585-8181

September 30, 1980

Dr. Salvatore Corrallo
Project Officer
Office of Program Evaluation
U.S. Education Department
Trans Point Building, Room B-110
Washington, D.C. 20202

Reference: Contract No. OE 300-77-0498 (AMS Project No. G-129)

Dear Dr. Corrallo:

Applied Management Sciences is pleased to submit 100 copies of its report, Analysis of the Institutional Administration of Student Financial Aid Programs Using Data Collected in the Institutional Mail Survey. If you have any questions, please contact Dr. Robert Deane.

Sincerely,

APPLIED MANAGEMENT SCIENCES, INC.

Todd S. Tucker, Ph.D.
President

TST/jh
Enclosures

cc: James Gannon, Contracting Officer

AUTHORS: Dr. Joseph Felder
Dr. David Ring

ACKNOWLEDGEMENTS

The analyses and descriptions contained in this volume were based in large part on the previously published Final Report Volume I of the Institutional Site Visit Survey. The authors of this present report owe a great debt to the authors of Volume I, Mr. Scott Miller, Dr. Robert Deane, Mr. Thomas Musso, and Ms. Wendy Dellefield.

This study could not have been completed without the assistance of Mr. Michael Puma, who developed the sample design and supervised development of the survey instrument, Mr. Richard Ellis, who developed the short form questionnaire and monitored data collection, and Mr. Douglas Darby who supervised the editing, coding, and receipt control aspects of data collection.

The project staff would especially like to express its gratitude to Dr. Alexander Ratnofsky and Dr. Salvatore Corrallo who have served as Project Officers on this study, to Dr. Robert T. Deane for his overall direction and guidance, and to Mr. Scott Miller who reviewed the contents of the volume. Throughout the course of this study the project staff has utilized the services of an Advisory Panel consisting of: Ms. Goldie Claiborne, Director of Financial Aid for Howard University; Mr. Dale Hyerstay, Director of Financial Aid for the University of Vermont; Dr. Merle Lange, Director of Financial Aid for Glendale (Arizona) Community College; Ms. Joyce Dunegan of the National Association of Student Financial Aid Administrators; Dr. James Hearn and Dr. Shannon Janes of

the American College Testing Program; Mr. Joel Packer, Assistant Director of Governmental Relations for the National Association of State Universities and Land-Grant Colleges; Dr. Barry Chiswick of the Department of Economics at the University of Chicago at Chicago Circle; Dr. Teh-wei Hu of the Department of Economics at Pennsylvania State University; and Dr. Dallas Merrell, President of Merrell Associates, a management consulting firm. Their expertise, opinions, and judgement have provided additional perspective to this study.

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1

INTRODUCTION

A. CONTENTS OF THIS VOLUME

This report is divided into seven chapters. The present chapter describes the background and context of the present study, including a discussion of the policy goals of the Federal aid programs and the specific impetus for this study. Included are discussions of the study's research approach and methodology, a brief outline of Federal responsibilities for financial aid, an historical summary of the development of the student aid concept, and a description of the institutional role in student assistance.

The remaining chapters present the empirical results of the study. Chapter 2 explores issues of program participation and institutional financial aid office operations. The remaining chapters explore various aspects of the role of the institution regarding informing and counseling students, student need analysis, budgeting, validation, aid packaging, aid disbursement, aid monitoring, and loan managements.

B. STUDY BACKGROUND

This study is part of the third and final phase of the U.S. Office of Education's (USOE)[1/] assessment of the impact of Federal financial aid

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[1/] In May 1980 the United States Office of Education (USOE) was reconstituted as the Department of Education (ED). In order to avoid confusion, and to remain consistent with documents previously produced under this contract, all appropriate passages in this report will refer to USOE or to OE.

programs on postsecondary students, institutions, and state governments. Formally entitled a "Study of the Impact of Student Financial Aid Programs" (SISFAP), the components completed prior to this study include:

- the *design* of a research strategy to assess the impact of financial aid (SISFAP I);
- the study of the impact of Federal and state financial aid programs and policies on the *choice process* of postsecondary-bound students (SISFAP II, Study A);
- the study of the way in which *labor market conditions* (and perceptions thereof) interact with educational costs and financial aid to influence access to postsecondary education (SISFAP II, Study B);
- the examination of the impact of financial aid on *student persistence* in postsecondary education (SISFAP II, Study C); and
- the relationship between Federal and state student aid programs (SISFAP II, Study D).

This remaining component (SISFAP III) evaluates the effectiveness and efficiency of procedures employed by the Federal government and participating educational institutions to operate and manage the Campus Based and Basic Educational Opportunity Grant (BEOG) assistance programs. The BEOG program, currently funded at $2.192 billion, is the mainstay of U.S. student aid. It is centrally administered by the U.S. Office of Education and provides the eligible postsecondary student with an entitlement to financial assistance which can be used at any of thousands of approved postsecondary institutions. The amount of the entitlement is based upon the student's need (as derived from a uniformly applied formula), while actual awards are calculated using the cost of education at the school the student has chosen to attend. The Campus Based programs, on the other hand, are administered locally by the staff of eligible institutions. These include the Supplemental Educational Opportunity Grant (SEOG); the National Direct Student Loan (NDSL); and the College Work-Study (CWS) programs.

C. THE IMPETUS FOR THE STUDY

Evaluations of the Federal student aid programs, from program appropriations to the distribution of funds, have been mostly piecemeal in nature. While specific components of this complex system have been examined at several levels of sophistication and detail, there has never been, prior to the SISFAP project, a unified, comprehensive analysis of the Federal government's involvement in the provision of funds for postsecondary students. The need for such an in-depth, broad-scope study, however, did not long go unnoticed. In 1974, the National Task Force on Student Aid Problems (otherwise known as the Keppel Task Force) was formed to examine a complex system that had become "...increasingly... troublesome to the general public...."[2] Its charge was to examine the delivery system for student aid while ignoring the broader issue of an appropriate social policy for the financing of postsecondary education. The Task Force's recommendations were derived in a deliberative fashion from the expertise of the various panel members. As stated in its Final Report, its role was to "integrate and implement the results of many existing efforts into the broader form of a total delivery system and then to achieve the support and backing of the associations and individuals who can bring them into being."[3] In a significant sense, the problems identified by the Task Force and its recommendations formed the basis for the formal evaluative effort represented by the SISFAP studies.

D. RESEARCH OBJECTIVES

The Office of Education's interest in examining aid programs and procedures is threefold: to evaluate the equity of the distribution of Federal financial assistance funds among students with similar characteristics; to identify the aid practices and procedures that best meet the objectives of the Federal programs; and to provide the data needed to develop a behavioral model of the flow of United States student aid dollars. Specifically, the study was designed to examine:

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[2] Francis Keppel, National Task Force on Student Aid Problems: Final Report (Washington, D.C.: U.S. Office of Education), p. 1.

[3] Ibid., p. 5

- the relationships between program funding levels and program objectives;
- the factors influencing the decisions of institutions to participate in the programs;
- the factors affecting the ability of postsecondary institutions to implement the programs in accordance with the needs of students and the regulations and guidelines issued by USOE;
- the factors affecting the participation of students in these programs, including counseling, consumer information, application processes, need determination, and aid packaging;
- the burdens and benefits of program oversight procedures (e.g., monitoring and validation) for both institutions and the Federal government; and
- the impact of these programs on postsecondary institutions, particularly with regard to cost, changes in educational quality, and changes in student body composition.

While this report addresses most of these areas, no attempt has been made here to duplicate the material covered in reports previously issued during this project. A listing of all such documents is provided in Appendix A.

E. POLICY GOALS OF THE FEDERAL AID PROGRAMS

The student financial aid programs, established by the Congress under Title IV of the Education Amendments of 1972 and currently undergoing reauthorization, are the result of a great deal of debate and discussion surrounding the selection of a proper method of delivering financial assistance to the students for whom it is intended. By giving institutions the primary responsibility for the distribution of a large portion of the total pool of financial aid dollars, the Federal government has fostered a complex series of interrelatonships. For the Campus Based programs, the institutions are required to maintain very specific relationships with student aid applicants and recipients, as well as with the Federal government. The more limited role of institutions participating in the BEOG program, their wealth of Campus Based responsibilities, and the relative position of institutions within the Federal financial aid system will all be topics of concern in this volume.

Institutions which choose to participate in the Basic Grant and/or Campus Based student aid programs enter into a partnership with the Federal government. Mandates of the Congress require that institutions and USOE to work cooperatively in order to alleviate the financial barriers which limit educational opportunities in the United States.

Equal Opportunity

Above all, the goal of equal opportunity dominates both the law and history of Federal student financial aid legislation. The principal goal of these programs is the removal of financial barriers which might otherwise deter an individual from the pursuit of education or training beyond high school. As Jonathan Fife writes in Applying the Costs of Student Financial Aid, there are three parts to this goal:

- to provide students access to a postsecondary education;
- to allow students reasonable choice, i.e., freedom to select the particular source of this education; and
- to permit retention or persistence, i.e., to enable the students to pursue this education to its conclusion[4].

These are all distributive issues in that they deal with the ways in which the benefits of student aid are dispersed to individuals.

For an individual to achieve equal educational opportunity, there must first be available the access to an institution of higher education. As stated by the Carnegie Commission in 1970, "We favor...universal access for those who want to enter institutions of higher education, are able to make reasonable progress after enrollment, and can benefit from attendance."[5]

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[4] Jonathan D. Fife, Applying the Goals of Student Financial Aid (Washington, D.C.: American Association for Higher Education, 1975), p. 1.

[5] Carnegie Commission on Higher Education, Quality and Equality: Revised Recommendations. New Levels of Federal Responsibility for Higher Education (New York, N.Y.: McGraw Hill Company, 1970).

Furthermore, the role of the student financial aid programs should be to eliminate the financial barriers that prevent the attainment of such universal access.[6] As commonly interpreted, this means that all students should have the opportunity to avail themselves of higher education in accordance with their individual intelligence and motivation, and should not be unduly hampered in this pursuit by the lack of personal financial resources.

The grant programs, of which BEOG is by far the largest, attempt to increase student access to postsecondary education by equalizing the financial barriers faced by potential students across income levels. Toward this end, expected family contributions from assets and income are calculated, a level of student self-help is assumed, and grants are awarded to offset differences in expected family contributions among participants.

A second way in which Federal programs encourage increased postsecondary participation is to neutralize imperfections in capital and employment markets by making "self-help" a readily available option for the student. The GSL and NDSL programs are designed to provide a more adequate capital market for students who otherwise have difficulty securing an educational loan. The College Work-Study program, by making off- and on-campus employment available to students, is also an important part of the self-help strategy.

Grant-in-aid programs, such as BEOG and SEOG, and the NDSL program base assistance levels on the cost of the college attended and, therefore, attempt to expand the range of choice of the low income student to include high tuition options. The Federal programs endeavor to increase retention by affording students the opportunity to pursue their education to its completion.

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[6] The National Commission on Financing Postsecondary Education, Financing Postsecondary Education in the United States (Washington, D.C., 1973), p. 53.

As a corollary to the goal of equal opportunity, the Federal programs adhere to the concept of student sovereignty in the market for postsecondary education, so that the choices of students, and not institutions, are given first priority in Federal support to higher education. While arguments have been advanced for institutional support as a means of ensuring the survival of private schools in particular, the legislation has clearly articulated a desire to place the power of choice in the hands of needy students. The integrity of the nation's institutions, while an important goal, was seen to be secondary to responsiveness to student needs. A detailed description of the Federally sponsored student financial aid programs is presented in Appendix B of the report.

F. RESEARCH APPROACH AND METHODOLOGY

Due to the complex nature and large scope of this research project, it was divided into three stages. Stage I included the description and evaluation of those operational and managerial procedures which could be analyzed using existing data sources or interviews with USOE staff, and the development of a detailed research design for a national survey of postsecondary institutions and students. In Stage II, this design was implemented using two nationally representative samples of postsecondary institutions and a representative sample of over 20,000 randomly selected students. Stage III of the project, which was separately funded and recently completed, was to assess the impact of the Middle Income Student Assistance Act (MISAA) on the distribution of student financial aid. The assessment was based on a quasi-experimental research design, carried out through a longitudinal follow-up of the same schools visited during the Stage II survey.

The first sample of postsecondary schools consisted of the 172 institutions which participated in the site visit survey. The random sample of students used in Stages II and III was drawn from these 172 schools. The analysis of the institutional site visit data and the student data appear in previously issued reports.[7/] The second sample of institutions consists of the 756 schools which participated in institutional mail survey. It is the data from this second sample of institutions which is analyzed in this report.

Sample Design

In order to guarantee comparability, it was essential that the institutional samples for the site visit and mail survey be drawn in an identical manner. While a detailed discussion of the sample design can be found elsewhere,[8/] the sampling strategy for this study can be easily summarized. First, a listing of schools, eligible to participate in either the Basic Grant or any of the Campus Based programs, was compiled using available USOE data files. Next, the institutions were stratified, or grouped, into one of 32 separate categories defined by the following variables:

- control: public, private, proprietary;
- level: 4-year or more, 2-year or less;
- participation (for proprietary schools only): BEOG only, BEOG and Campus Based;
- type of program (for proprietary schools only): cosmetology, business, trade/technical, other;
- State effort in financial aid, defined in terms of the number of need-based programs offered (for non-profit institutions only): five or more programs, two to four programs, one or fewer programs;
- selectivity, defined in terms of the school's average SAT/ACT score for all entering freshmen (for 4-year schools only): schools with averages above the median, and those below;
- size (for private 4-year schools only): 1,000 students or less, over 1,000 students.

[7/] Applied Management Sciences, Study of Program Management Procedures in the Campus Based and Basic Grant Programs, Final Report Volume I: The Institutional Administration of Student Financial Aid Programs; and Volume II: Who Gets Financial Assistance, How Much, and Why? Summary Final Report

[8/] Applied Management Sciences, Study of Program Management Procedures in the Campus Based and Basic Grant Programs, Technical Report No. 1: Sample Design, Student Survey Yield and Bias, November 1979.

Finally, three types of schools were deleted from this population listing prior to the selection of the sample: those which were hospital-based (958 schools); those which had been included in a study being conducted by DHEW's Bureau of Student Financial Assistance (about 150 schools); and those proprietary institutions about which very little information was available in USOE data files (148) schools. The first group was excluded since they were atypical of the universe of schools in terms of their structure and the types of aid offered and were not of particular policy interest. The second group was dropped to avoid the potential for overburdening certain respondents, and the third group was dropped because the limited data available indicated that the schools were marginal in the universe of postsecondary institutions.

Once the strata had been formed, the sample of 756 institutions desired was allocated to each group in proportion to the number in the population falling in each stratum, except that the 4-year and 2-year public institutions were oversampled because, though small in number, they account for the majority of students and aid recipients. Likewise, the proprietaries were undersampled because, though very numerous, these profit-making schools account for a tiny fraction of all postsecondary students. This over- and undersampling is the same as that used in selection of the site visit sample and was done to assure comparability with the latter. The actual selection of the sample of schools to participate in the survey was conducted randomly within each of the 32 groups, using the sampling proportions described above. A discussion of the stratified sampling framework comprises Appendix C of this volume.

Case Weights

Because response rates were not identical in all strata, it was necessary to develop case weights to ensure that the respondents are truely representative of their strata and institution types. These case weights are used in estimating parameters for the five types of institutions and testing for significant differences between institutions types. A second set of weights was developed to counteract the over- and undersampling of institution types, discussed above. This second set of weights enable the researcher to estimate parameters for the universe of postsecondary institutions, unweighted by enrollment shares and is used in generating all estimates of universe parameters reported in this volume. A discussion of the case weights may be found in Appendix D.

The Survey Instrument

To assure comparability with the institutional site visit survey, it was essential that similar information be collected in the two institutional surveys. While the mail survey provided many more observations then the site visit survey, it contained fewer questions and included only those items which were of major policy concern. This truncated version was developed to maximize the response rate and minimize the overall respondent burden.

Approximately four weeks after the mail questionnaires were sent, a second-wave mailing, consisting of a reminder letter, was mailed to each institution which had failed to complete and return the questionnaire. After another four weeks had elapsed, non-responding institutions were again contacted by Western Union Mailgram to encourage their cooperation, thereby constituting the third-wave mailing.

A combination of a relatively low response rate, our perceptions of the complexity of the questionnaire, and comments from a number of already over-burdened financial aid officers who confirmed this view, prompted the necessity for designing a revised instrument. Accordingly, after another month had elapsed, an abridged version of the questionnaire was mailed to those schools which had failed to complete the form in order to facilitate their response. In addition, telephone calls were placed to these schools to further elicit their cooperation. In the end, 601 schools responded to the long form mail questionnaire and 155 responded to the short form. Because some schools provided more complete information than others, all empirical results reported here also show the number of responses from which those results are estimated.

The steps outlined above comprised the data collection phase of the mail survey effort. As a result of the procedures employed, the rate of response reached an acceptable level from which to begin analysis. For additional information on mail survey data base development, the reader is referred to previously issued reports.[9]

G. SUMMARY

This project has taken place during a major Congressional debate over future policies and funding for these programs. Part of the function of this study, then, has also been to serve as a source of information for those deliberating about issues concerning student aid. The data generated for this project have a longer-range value as well. Student financial aid is an emergent profession, a relative newcomer among administrative roles in higher education. The scope of activities, the professional practices, and other major elements of the field are not well codified. State, regional, and national associations of financial aid officers, and others interested in this aspect of postsecondary education are beginning to deal with this need to develop the profession. Scattered articles and monographs reflect a general suspicion that practices are widely variable, that some aid operations are inadequately supported, and that, in general, students do not receive similar treatment when they apply for financial aid at different institutions. This project provides the first unified data base for the examination of these and related issues. It makes available a coordinated set of information on schools, aid offices, and students. It is the first attempt to assess, on a national scale, the performance of this critical part of the higher education system.

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[9] Applied Management Sciences, Study of Program Management Procedures in the Campus Based and Basic Grant Programs, Technical Report No. 2: Survey Yield Report for the Institutional Mail Questionnaire and Technical Paper No. 4: Institutional Mail Survey Data Base Development and Documentation Report.

The present study is part of SISFAP III. The purpose of the study is to evaluate the effectiveness and efficiency of procedures used by participating institutions in the operation and management of BEOG and the Campus Based programs. Two issues are of special interest in this study. First, do schools use those practices and procedures which best meet the objectives of the programs and, second, is Federal financial assistance distributed by schools in a manner which is equitable?

The present study addresses these issues using data provided by the 756 schools which participated in the Institutional Mail Survey. The same issues were addressed previously by Applied Management Sciences, using data provided by the 172 schools which participated in the Institutional Site Visit Survey.[10] While the mail survey is less detailed than the site visit survey, the larger sample size enables researchers to conduct a statistical analysis which is more complex and precise.

The data used in this study, combined with that collected in the other institutional survey and the student survey, serve another purpose as well since they provide much of the data and insight into institutional dynamics needed to develop a behavioral model of the flow of United States student aid dollars.

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[10] Applied Management Sciences, Study of Program Management Procedures in the Campus Based and Basic Grant Programs, Final Report Volume I: The Institutional Administration of Student Financial Aid Programs; and Volume II: Who Gets Financial Assistance, How Much, and Why? and Summary Final Report

2

INSTITUTIONAL PROFILE

A. INTRODUCTION

In this chapter of the report, an overview of the institutions which took part in the study is presented, as is the current condition and structure of their financial aid offices. Section B examines some basic characteristics of the institutions and describes their participation rates in the Basic Grant program and in each of the Campus Based programs. Section C compares and contrasts the characteristics of schools which participate in all the Campus Based programs with those that do not and examines the reasons that institutions offer for nonparticipation. Section D provides a description of the workload of institutional financial aid offices, and Section E characterizes financial aid office personnel. Furthermore, the problems that institutions encounter in recruiting and retaining professional financial aid officers are analyzed. Section F considers the productivity of the financial aid staff and Section G summarizes the results of this chapter.

B. DESCRIPTION OF THE INSTITUTIONS IN THE STUDY

Prior to investigating the complexities of the operations of institutional financial aid offices, it is important to have an overall picture of the institutions which are being studied. Table 2.B.1 enumerates some basic characteristics of the institutions which responded to the mail survey questionnaire. The information presented in Table 2.B.1 illustrates the utility of stratifying institutions according to their level and control.

TABLE 2.B.1: SELECTED BASIC CHARACTERISTICS OF INSTITUTIONS PARTICIPATING IN THE STUDY, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1/]

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Mean Tuition and Fees 2/	$1,548(550)	$ 686(162)	$2,791(192)	$ 408(89)	$1,811(39)	$1,662(68)
Mean Enrollment 3/	3,640(718)	6,992(212)	1,662(250)	5,217(114)	549(56)	251(86)
Mean Number of Federal Aid Recipients 4/	624(411)	1,787(130)	548(149)	617(64)	174(26)	124(42)
Mean Number of Financial Aid Office Workers 5/ (full time equivalents)	5.3(668)	11.3(197)	5.0(224)	4.6(103)	3.1(48)	4.3(96)

1/ The number of institutions reporting is given in parenthesis. Enrollment is for a standard nine-month academic year, except for the proprietaries, where enrollment is the number enrolled at the time the survey was administered (June 1979 - January 1980). Recipients are the unduplicated count of those receiving one or more of the four Federal programs: BEOG, SEOG, NDSL, CWS.

2/ Tuition and Fees

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	13,3217,888	222.18 (0.00)	4-Year Public	F = 639.41	-	F = 66.11	F = 70.81
Within Groups	537	599,509.5		4-Year Private		F = 574.0	F = 28.54	F = 99.26
Total	541			2-Year Public			F = 89.07	F = 95.84

TABLE 2.B.1 CONTINUED

3/ Enrollment

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1,285,772,544	58.07	4-Year Public	F = 146.58	F = 10.53	F = 82.97	F = 123.34
Within Groups	712	22,131,648	(0.00)	4-Year Private		F = 44.63	-	F = 14.31
Total	716			2-Year Public			F = 36.95	F = 53.87

4/ Number of Federal Aid Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	39,685,264	38.44	4-Year Public	F = 102.35	F = 56.45	F =54.39	F = 71.86
Within Groups	398	1,032,314.44	(0.00)					
Total	402							

5/ Number of Federal Aid Office Workers

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1,609.94	18.16	4-Year Public	F = 47.32	F = 34.25	F = 29/24	F =34.88
Within Groups	662	88.64	(0.00)					
Total	666							

For the 756 schools responding to the institutional mail survey, the mean tuition and fees was $1,548 and the mean enrollment was 2,640. Approximately 25 percent of those enrolled were recipients of at least one of the Campus Based or Basic Grant programs. Financial aid offices were staffed by an average of just under five and one-half full-time equivalent employees.

However, the variability of these characteristics across institution types is striking. Table 2.B.1 shows that tuition and fees are higher at the private schools than at their public counterparts. Given the level of education, it costs the student over four times as much in tuition and fees to attend a private institution as it does to attend a public school. The tuition and fees charged by proprietary schools are similar to those charged by 2-year private schools; they are lower than those at 4-year private schools, but higher than those charged by 2-year and 4-year public institutions.

Despite the fact that the pattern displayed by tuition costs is reversed, the sharp contrast between private and public institutions is also present in the enrollment statistics. Four-year public institutions have larger student bodies than all other types of schools, and 2-year public schools are larger in terms of enrollments than private and proprietary schools.

While public schools at both levels are significantly larger than their private school counterparts, only 4-year public schools have a larger number of Federal aid recipients and larger staffs to administer the aid. However, the differences in staff sizes are not as pronounced as the aid recipient differences. That is, while on average there are between three and 14 times as many aid recipients at 4-year public institutions as there are at other types of schools, 4-year public schools perform their tasks with staffs that are only between two and one-half and four times as large as the staffs at other types of schools. This may mean that 4-year public schools have more efficient financial aid office(r)s than do other types of institutions. This can most likely be attributed to scale of operations rather than control. That is, the 4-year public schools have a larger number of aid recipients so that the financial aid officers are able to take advantage of scale economies and employ a less than proportionate financial aid staff (i.e., each staff member is able to handle a larger recipient load in the larger schools).

Table 2.B.2 shows the percent of institutions participating in the Basic Grant program and each of the Campus Based programs. All schools surveyed take part in the Basic Grant program. Participation rates in the Campus Based programs vary across institution types. For example, while almost all 4-year public schools participate in the College Work-Study Program, nearly four out of every five proprietary schools do not participate in this program. Section C of this chapter will expand upon the characteristics of schools that do not participate in the Campus Based programs and the reasons these schools cited for nonparticipation.

C. DESCRIPTION OF SCHOOLS BY PROGRAM PARTICIPATION

Table 2.C.1 lists some basic characteristics of institutions according to program participation. Schools taking part in at least one Campus Based program, but which do not participate in the College Work-Study Program (CWS), charge the highest tuition and fees. The fact that the highest tuition rates charged according to program participation is by schools not in CWS is, in part, due to the low participation rate in CWS by proprietary schools. On average, the tuition at proprietary schools is somewhat greater than the mean tuition fees charged by all schools.

Schools which do not partake in the National Direct Student Loan (NDSL) program offer lower tuitions than do schools participating in all or none of the Campus Based programs. Program participation by level and control of institution is less able to account for the low tuition and fees at schools which participate in Campus Based programs other than NDSL. This lack of an explanation by level and control of institution is due to the relatively high rates of participation of NDSL at high cost

TABLE 2.B.2.: PERCENT OF INSTITUTIONS PARTICIPATING IN FEDERAL STUDENT AID PROGRAMS BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprie-tary
BEOG	100.0 (752)	100.0 (213)	100.0 (250)	100.0 (117)	100.0 (57)	100.0 (115)
SEOG 2/	76.6 (750)	98.8 (213)	92.7 (249)	85.4 (117)	79.3 (57)	55.4 (114)
NDSL 3/	69.2 (749)	98.3 (213)	92.4 (249)	66.5 (116)	70.5 (57)	48.2 (114)
CWS 4/	65.2 (748)	99.4 (213)	94.2 (250)	94.9 (115)	73.9 (57)	20.5 (113)

1/ The number of institutions reporting is given in parenthesis.

2/ SEOG

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3.86	40.18	4-Year Public	-	F = 14.21	F = 17.53	F =144.73
Within Groups	744	0.10	(0.00)	4-Year Private		-	F = 8.48	F =112.20
Total	748			2-Year Public			-	F = 53.67
				2-Year Private				F = 6.28

3/ NDSL

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	6.22	53.03	4-Year Public	-	F = 64.34	F = 29.17	F =158.90
Within Groups	744	0.12	(0.00)	4-Year Private		F = 44.79	F = 18.59	F =129.90
Total	748			2-Year Public			-	F = 16.36
				2-Year Private				F = 15.95

TABLE 2.B.2 CONTINUED

4/ CWS

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	13.67	203.57	4-Year Public	-	-	F = 42.90	F = 677.17
Within Groups	742	0.07	(0.00)	4-Year Private		-	F = 28.07	F = 622.59
Total	746			2-Year Public			F = 24.85	F = 466.82
				2-Year Private				F = 158.36

TABLE 2.C.1: SELECTED BASIC CHARACTERISTICS OF INSTITUTIONS PARTICIPATING IN THE STUDY, BY PARTICIPATION IN CAMPUS BASED PROGRAMS: ACADEMIC YEAR 1978-79 1/

	Program Participation				
	In All Campus-Based Programs	In No Campus-Based Programs	Not In SEOG, But In Other Campus-Based Programs	Not In NDSL, But In Other Campus-Based Programs	Not in CWS, But In Other Campus-Based Programs
Mean Tuition and Fees 2/	$1,646 (428)	$1,352 (33)	$1,345 (5)	$ 859 (38)	$1,798 (45)
Mean Enrollment 3/	4,372 (554)	296 (44)	1,544 (9)	1,775 (54)	314 (55)
Mean Number of Federal Aid Recipients 4/	1,042 (335)	69 (13)	641 (4)	271 (31)	135 (28)
Mean Number of Financial Aid Office Workers (full-time equivalents) 5/	7.4 (512)	3.1 (44)	5.5 (6)	2.9 (47)	5.0 (59)

1/ The number of institutions reporting is given in parenthesis.

2/ Tuition and Fees

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		Not SEOG	No CB	All CB	Not CWS
Between Groups	4	6,460,682	4.19	Not NDSL	-	-	F = 13.97	F = 11.13
Within Groups	736	1,542,806	(0.00)					
Total	540							

TABLE 2.C.1 CONTINUED

3/ Enrollment

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		Not SEOG	No CB	All CB	Not CWS
Between Groups	4	405,879,552	14.94	Not NDSL	-	-	F = 13.22	-
Within Groups	709	27,163,424	(0.00)	No CB			F = 28.02	-
Total	713			All CB				F = 26.24

4/ Number of Federal Aid Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		Not SEOG	No CB	All CB	Not CWS
Between Groups	4	10,681,065	8.07	Not NDSL	-	-	F = 12.75	-
Within Groups	398	1,323,703	(0.00)					
Total	402			No CB			F = 8.28	-
				All CB				F = 13.92

5/ Number of Financial Aid Office Workers

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		Not SEOG	No CB	All CB	Not CWS
Between Groups	4	456.44	4.77	Not NDSL	-	-	F = 10.05	-
Within Groups	662	95.62	(0.01)					
Total	666			No CB			F = 9.03	-

and low cost four-year private and public institutions, respectively, as well as the relatively low participation rates at the somewhat higher cost two-year private and proprietary schools and the low cost two-year public institutions (see Tables 2.B.1 and 2.B.2).

Significantly larger enrollments are observed at institutions which participate in all of the Campus Based programs than at schools which do not participate in any of these programs. Smaller enrollments are also characteristic of schools which seek only NDSL or CWS funding. Once again, these enrollment differences by program participation cannot be explained by program participation according to level and control of institution. Not only do the large four-year public schools have high participation rates in NDSL, but small four-year private institutions also have high participation rates in NDSL and the relatively large two-year public schools have relatively low participation rates in NDSL.

Table 2.C.1 shows that schools which participate in all Campus Based programs have the largest number of Federal aid recipients as well as the largest financial aid staffs. Furthermore, while nonparticipation in NDSL or in CWS, in conjunction with participation in other Campus Based programs, reduces the number of Federal aid recipients at a school, only in the case of nonparticipation in NDSL does it significantly reduce the number of financial aid officers which schools employ to service their recipients. Once again we see evidence of the presence of scale economies in the operations of financial aid offices.

Table 2.C.2 presents a list of the reasons which institutions offered for not participating in the various Campus Based programs. For schools which do not take part in SEOG, the most common reason cited is insufficient demand for the program by the school's students. This explanation has a "Catch-22" aura about it in that one wonders how students could be expected to know about and request assistance a financial aid program that is not offered by their institution. With respect to variation in reasons for nonparticipation across institution types, the only significant differences are between 2-year public institutions and 4-year private institutions and proprietary schools in terms of no need to participate due to low cost.

TABLE 2.C.2.: PERCENTAGE DISTRIBUTION OF REASONS OFFERED BY INSTITUTIONS FOR NONPARTICIPATION IN CAMPUS BASED PROGRAMS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

		Institutional Level and Control					
Program	Reason for Nonparticipation	All	4-Year Public	4-Year Private	2-Year Public	Private	Proprietary
SEOG	No Need Due to Low Cost 2/	7.4	0.0	0.0	43.9	17.1	0.0
	No or Low Student Interest	27.1	100.0	24.8	27.0	17.1	27.4
	Other Programs Satisfy Need	15.4	0.0	35.1	23.0	0.0	12.5
	Lack Administrative Resources	11.2	0.0	0.0	0.0	0.0	15.4
	Not Familiar With Program	11.2	0.0	6.2	0.0	34.1	13.2
	Other	27.7	0.0	34.0	6.2	31.8	31.5
Institutions Reporting		59	1	12	14	6	26
NDSL	No Need Due to Low Cost 3/	4.7	-	0.0	18.7	0.0	0.0
	No or Low Student Interest	32.9	-	19.2	25.3	0.0	39.5
	Other Programs Satisfy Need	12.1	-	9.6	18.1	28.4	8.8
	Lack Administrative Resources	32.6	-	35.6	37.9	43.4	29.6
	Not Familiar With Program	11.7	-	19.3	0.0	28.3	14.4
	Other	5.9	-	16.3	0.0	0.0	7.7
Institutions Reporting		80	0	11	30	11	28

TABLE 2.C.2 CONTINUED

		Institutional Level and Control					
Program	Reason for Nonparticipation	ALL	4-Year Public	4-Year Private	2-Year Public	Private	Proprietary
CWS	No or Low Student Interest	9.2	-	9.0	3.7	17.1	7.9
	Lack Administrative Resources	1.3	-	12.9	0.0	0.0	0.9
	Not Familiar With Program	9.8	-	21.9	18.6	34.1	8.3
	Job Placement Too Difficult 4/	68.0	-	43.4	0.0	31.8	72.8
	Other	11.7	-	12.9	44.3	17.1	10.2
Institutions Reporting		77	0	9	5	6	57

1/ Column sums may not equal 100 percent due to rounding.

3/ SEOG - No Need Due to Low Cost

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.49	7.16	4-Year Private	-	F = 16.92	-	-
Within Groups	59	0.07	(0.00)	2-Year Public			-	F = 24.17
Total	63							

TABLE 2.C.2 CONTINUED

3/ NDSL -No Need Due to Low Cost

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	3	0.23	4.43	2-Year Private	-	-		F = 10.94
Within Groups	85	0.05	(0.00)					
Total	88							

4/ CWS- Job Placement Too Difficult

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	3	1.05	5.13	2-Year Public	-		-	F = 9.65
Within Groups	71	0.20	(0.00)					
Total	74							

Schools which are nonparticipants in NDSL, but take part in other Campus Based programs, employ fewer financial aid officers than do schools which participate in all Campus Based programs. Of those schools which cite a reason for not taking part in the NDSL program, nearly one out of three institutions indicate a lack of the administrative resources to do so. Institutions which elect to participate in the NDSL Program must be prepared to commit significant resources in order to comply with the counseling and collection responsibilities of the program.

Table 2.C.2 demonstrates that the major reason for not participating in CWS is the difficulty of placing students in jobs which meet the eligibility requirements of the program. This is particularly true at proprietary schools because these schools are not permitted to employ students on-campus or in nonprofit organizations which are owned or controlled by the school, or by the corporation, association, partnership or individual owning or controling the proprietary institution.

D. WORKLOAD OF FINANCIAL AID OFFICE STAFF

In general, the workload of an individual financial aid officer will depend upon the overall amount of work which the aid office must perform. For purposes of this study, the aid office workload will be measured in terms of the number of persons counseled, the number of student packaged for financial aid, and the number of students receiving financial aid.

Table 2.D shows that 4-year public institutions lead all other types of institutions in terms of the mean number of students counseled, the mean number of applicants packaged for financial aid, and the mean number of aid recipients, both unduplicated and by program. One would expect this to be true, of course, given that 4-year schools have the largest enrollments.

From Table 2.D, it appears that at non-proprietary institutions, anywhere from 65 percent to over 95 percent of an institution's students receive some form of counseling about financial aid, and that between 47 percent to 61 percent of an institution's students are actually packaged

TABLE 2.D: THE SCOPE OF FINANCIAL AID WORKLOAD AS MEASURED BY A VARIETY OF SELECTED STATISTICS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Mean Number of Persons Counseled 2/	1,435 (387)	4,503 (128)	1,081 (131)	1,486 (64)	925 (23)	172 (41)
Mean Number of Aid Applicants Packaged 3/	898 (511)	2,796 (155)	987 (176)	892 (85)	296 (33)	103 (62)
Mean Number of Aid Recipients:						
Unduplicated 4/	624 (349)	1,787 (130)	548 (149)	617 (64)	174 (26)	124 (42)
BEOG 5/	428 (506)	1,375 (151)	325 (167)	612 (86)	167 (33)	96 (69)
SEOG 6/	152 (444)	383 (154)	143 (159)	116 (66)	63 (27)	51 (38)
NDSL 7/	305 (418)	725 (153)	301 (157)	178 (54)	66 (24)	74 (30)
CWS 8/	246 (432)	575 (155)	236 (158)	166 (78)	108 (25)	45 (16)
Mean Counseled/Enrolled (%) 9/	81.2 (372)	65.0 (128)	77.0 (131)	43.8 (64)	96.8 (22)	145.0 (27)
Mean Aid Applicants Packaged/Enrolled (%) 10/	54.4 (491)	46.9 (154)	61.0 (176)	22.7 (84)	48.8 (32)	86.6 (45)
Mean Recipients/Enrolled (%):						
Unduplicated 11/	34.4 (396)	31.6 (129)	35.2 (149)	19.8 (63)	31.7 (25)	57.1 (30)
BEOG 12/	31.3 (483)	22.0 (150)	21.6 (167)	17.9 (84)	22.1 (32)	57.4 (50)
SEOG 13/	10.9 (438)	7.2 (153)	11.1 (159)	3.3 (66)	11.7 (26)	22.4 (34)
NDSL 14/	14.9 (413)	11.8 (152)	18.0 (157)	4.6 (54)	12.0 (23)	28.6 (27)
CWS 15/	13.9 (428)	10.7 (154)	19.7 (158)	5.4 (78)	17.6 (24)	23.7 (14)

1/ The number of institutions reporting is given in parenthesis. The mean number of unduplicated recipients is repeated from Table 2.B.1 for convenience.

TABLE 2.D CONTINUED

2/ Number of Persons Counseled

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	266,613,392	9.52	4-Year Public	F = 27.07	F = 13.83	F = 8.90	F = 19.19
Within Groups	380	28,009,120	(0.00)					
Total	384							

3/ Number of Aid Applicants Packaged

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	120,935,440	30.18	4-Year Public	F = 66.46	F = 48.96	F = 41.23	F = 74.07
Within Groups	497	4,007,028	(0.00)	4-Year Private		-	-	F = 8.27
Total	501							

4/ Unduplicated Number of Aid Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	39,685,264	38.44	4-Year Public	F=102.35	F=56.45	F=54.39	F=71.86
Within Groups	398	1,032,314	(0.00)					
Total	402							

TABLE 2.D CONTINUED

5/ Number of BEOG Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	31,164,032	44.70	4-Year Public	F=123.99	F=44.98	F=56.47	F=110.25
Within Groups	499	697,103	(0.00)	4-Year Private		-	-	F= 14.57
Total	503							

6/ Number of SEOG Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1,799,834	23.58	4-Year Public	F=58.22	F=43.02	F=30.70	F=38.06
Within Groups	431	76,318	(0.00)					
Total	435							

7/ Number of NDSL Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	6,187,536	22.57	4-Year Public	F=50.15	F=43.18	F=32.72	F=27.21
Within Groups	400	274,173	(0.00)					
Total	404							

TABLE 2.D CONTINUED

8/ Number of CWS Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3,796,472	31.41	4-Year Public	F=73.54	F=71.27	F=38.60	F=33.55
Within Groups	425	120,870	(0.00)					
Total	429							

9/ Counseled/Enrolled

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	5.24	8.16	4-Year Public	-	-	-	F = 20.77
Within Groups	366	0.64	(0.00)	4-Year Private		-	-	F = 15.13
Total	370			2-Year Public				F = 28.62

10/ Aid Applicants Packaged/Enrolled

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3.43	23.27	4-Year Public	F = 10.94	F = 21.31	-	F = 33.06
Within Groups	477	0.15	(0.00)	4-Year Private		F = 56.09	-	F = 14.12
Total	481			2-Year Public			F = 10.41	F = 73.42
				2-Year Private				F = 16.74

TABLE 2.D CONTINUED

11/ Unduplicated Aid Recipients/Enrolled

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.63	14.79	4-Year Public	-	F = 13.49	-	F = 29.46
Within Groups	383	0.04	(0.00)	4-Year Private		F = 24.44	-	F = 22.20
Total	387			2-Year Public			-	F = 54.43
				2-Year Private				F = 18.00

12/ BEOG Recipients/Enrolled

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.51	49.14	4-Year Public	-	-	-	F = 152.29
Within Groups	476	0.03	(0.00)	4-Year Private		-	-	F = 160.95
Total	480			2-Year Public				F = 158.82
				2-Year Private				F = 79.11

TABLE 2.D CONTINUED

13/ SEOG Recipients/Enrolled

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.22	18.22	4-Year Public	F = 9.81	-	-	F = 45.90
Within Groups	427	0.01	(0.00)	4-Year Private		F = 23.86	-	F = 25.42
Total	431			2-Year Public			F = 10.77	F = 60.53
				2-Year Private				F = 12.93

14/ NDSL Recipients/Enrolled

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.30	21.04	4-Year Public	F = 20.49	F = 14.18	-	F = 32.10
Within Groups	396	0.01	(0.00)	4-Year Private		F = 50.28	-	F = 12.95
Total	400			2-Year Public			-	F = 54.76
				2-Year Private				F = 19.74

TABLE 2.D CONTINUED

15/ CWS Recipients/Enrolled

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.36	18.94	4-Year Public	F = 32.95	-	-	F = 11.42
Within Groups	422	0.02	(0.00)	4-Year Private		F = 56.68	-	-
Total	426			2-Year Public			F = 14.38	F = 21.06

for financial aid. However, this may be misleading since some of those counseled may be receiving financial aid counseling from more than one institution in the course of making decisions regarding the school to attend.

In terms of the importance of the financial aid office in assisting the institution in achieving its goal of servicing the needs of its students, a greater percentage of students at proprietary schools are recipients of either Basic Grants or the aid offered by one or more of the Campus Based programs than are the students at any other type of institution. In addition, on average, a higher percentage of the students enrolled at 4-year institutions are recipients of at least one of the four Federal aid programs under study than are students at 2-year public institutions, emphasizing the interaction between educational cost and the receipt of Federal assistance.

With respect to the individual Federal aid programs, Table 2.D reveals that approximately one out of every five students attending a nonproprietary school is a recipient of a Basic Grant. Slightly over one-half the students at proprietary schools receive these awards. Of the schools which partake in the Campus Based programs, a significantly higher percentage of the students at 4-year private schools benefit from the existence of these programs than do students at public institutions. In 4-year private schools that participate in the NDSL and/or the CWS programs, nearly one-fifth of the student body receives the aid offered by these programs.

The implications of the higher percentage of students at 4-year private schools being NDSL and CWS recipients than the percentage of students receiving assistance at the public institutions are rather interesting. Since the cost of tuition and fees to the student are significantly higher at 4-year private schools than at the public institutions, the utilization of these aid programs by students at 4-year private schools appears to be one method of overcoming this cost differential. These programs presumably allow students a much broader range of choice among schools than would have been possible without these programs.

E. CHARACTERISTICS OF AID OFFICE PERSONNEL

Distribution of Characteristics of Aid Office Personnel

The financial aid office is typically staffed by three types of workers: professionals, peer employees, and secretarial and clerical workers. Professionals include not only the institutional director of financial aid, but other staff members whose responsibilities include supervising various areas of aid office operations (e.g., management of the College Work Study program).

In addition to the professionals, there must also be a contingent of nonprofessionals in the financial aid office to provide the necessary support services. The nonprofessionals can be grouped roughly into "clerical" and "peer" categories. Clerical personnel are utilized to carry out a variety of important support functions. These include reception, typing, filing, and assorted paperwork obligations. In recent years, nonprofessional support has also come to include data processing personnel to cope with the necessities of computer-based operations.[1] A peer employee is one who is roughly the same age as the student aid applicants or is also a student. One purpose of employing peers is to bridge some of the personal barriers (i.e., a "generation gap") which may exist in traditional aid office situations. Many observers of the financial aid system have advocated the employment of peers as the most effective way to establish a true two-way line of communication between the student and the financial aid office. At some schools, peer training programs involve a cooperative effort between financial aid administrators and campus student organizations. Peer employees are most valuable when they are educated in the details of the aid programs for which students may be eligible, as well as in the nature of the student aid office(r)'s perceptions, goals, and objectives. Furthermore, an active peer program can have a significant impact on the quality of counseling services.

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[1] In some of the largest schools, data processing personnel have been employed in a professional capacity or as consultants to develop and to refine new modes of computer applications to financial aid.

Table 2.E.1 shows the composition of the aid office staff by type of worker.[2] On average, 4-year public schools employ a greater number of FAO professionals and peer employees than do other types of institutions. They also employ a larger secretarial and clerical staff to provide support services than do all other types of schools. This, of course, is to be expected in that the 4-year public institutions process a significantly greater number of applicants. The second set of figures on Table 2.E.1 describes the percent of workers in each category who are employed full-time. At each type of school, professionals and peer employees are more often employed full-time that are secretarial and clerical personnel. At public institutions, a significantly higher percentage of professionals and peer employees are full-time members of the aid office staff than are these same types of workers at 2-year private and proprietary schools. This may be due to the fact that many 2-year private and proprietary institutions are too limited in their resources to accommodate professionals whose time is entirely devoted to financial aid responsibilities. In many instances, professonal staff may also assume responsibility for other administrative areas, including admissions or business functions. Additionally, aid offices at proprietary schools utilize secretarial and clerical workers on a significantly lower full-time basis than do public institutions.

Table 2.E.2 reveals that, on average, nearly seven out of every ten full-time professional aid officers have at least two years of experience in the aid office at their institutions. On the other hand, part-time professional employees are much less likely to be experienced aid officers. The lack of experience on the part of less than full-time professionals may be due to the part-time professional being an administrator who is filling in on a temporary basis until a full-time professional can be found.

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[2] Peer employees are included with FAO professionals since their knowledge of the various programs is likely to be of a technical nature.

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TABLE 2.E.1: NUMBER OF AID STAFF FOR PERSONNEL CATEGORIES, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Mean FTE Staff:						
FAO Professionals and Peer Employees 2/	2.83 (672)	4.72 (199)	2.53 (226)	1.95 (103)	1.88 (48)	3.02 (96)
Secretarial/Clerical 3/	2.53 (680)	6.62 (203)	2.47 (226)	2.64 (105)	1.19 (49)	1.30 (97)
Total 4/	5.34 (668)	11.30 (197)	4.96 (224)	4.59 (103)	3.09 (48)	4.32 (96)
Mean Percent Full Time:						
FAO Professionals and Peer Employees 5/	79.3 (662)	88.0 (199)	81.3 (223)	87.6 (100)	70.7 (48)	71.1 (92)
Secretarial/Clerical 6/	61.3 (603)	77.3 (201)	58.3 (195)	68.0 (99)	59.6 (36)	51.5 (72)
Total 7/	69.7 (668)	80.1 (197)	69.0 (224)	75.8 (103)	63.8 (48)	63.9 (96)

1/ The number of institutions reporting is given in parenthesis.

2/ FAO Professionals and Peer Employees

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	201.77	9.33	4-Year Public	F = 23.50	F = 24.12	F = 14.43	F = 8.52
Within Groups	666	21.62	(0.00)					
Total	670							

TABLE 2.E.1 CONTINUED

3/ Secretarial/Clerical

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	753.76	24.50	4-Year Public	F = 59.71	F = 35.61	F = 37.75	F = 59.12
Within Groups	673	30.76	(0.00)					
Total	677							

4/ Total

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1,609.94	18.16	4-Year Public	F = 47.32	F = 34.25	F = 29.24	F = 34.88
Within Groups	662	88.64	(0.00)					
Total	666							

5/ Percent of FAO Professionals and Peer Employees that are Full-Time Employees

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	6,772.32	7.52	4-Year Public	-	-	F = 12.74	F = 19.35
Within Groups	655	900.56	(0.00)	2-Year Public			F = 10.31	F = 14.29
Total	659							

TABLE 2.E.1 CONTINUED

6/ Percent of Secretarial/Clerical Staff that are Full-Time Employees

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1,3256.97	9.87	4-Year Public	F = 26.40	-	-	F = 24.97
Within Groups	594	1,343.35	(0.00)	2-Year Public			-	F = 8.13
Total	598							

7/ Percent of FAO Staff that are Full-Time Employees

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.65	7.27	4-Year Public	F = 14.57	-	F = 11.54	F = 18.86
Within Groups	662	0.09	(0.00)					
Total	666							

TABLE 2.E.2: PERCENTAGE DISTRIBUTION OF WORK EXPERIENCE AT PRESENT INSTITUTUION OF FULL-TIME AND PART-TIME FAO PROFESSIONALS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
Work Experience	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Full-Time:						
Less Than 1 Year	13.5	11.8	15.6	9.8	22.1	13.9
1 to 2 Years 2/	17.8	14.3	13.6	12.7	9.5	26.3
2 or More Years 3/	68.7	73.8	70.8	77.4	68.4	59.8
Institutions Reporting	607	191	201	94	41	80
Part-Time:						
Less Than 1 Year	26.8	36.5	25.7	15.5	29.9	29.2
1 to 2 Years	22.8	18.1	17.7	17.7	20.8	27.6
2 or More Years	50.4	45.4	56.7	66.8	49.3	43.2
Institutions Reporting	225	48	73	33	21	50

1/ Column sums may not equal to 100 percent due to rounding.

2/ Full-Time; 1 to 2 Years Experience

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3,052.14	6.16	4-Year Public	-	-	-	F= 9.84
Within Groups	596	812.21	(0.00)	4-Year Private		-	-	F=11.08
Total	600			2-Year Public			-	F= 9.70
				2-Year Private				F= 9.38

3/ Full-Time; 2 or More Years of Experience

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3,866.52	2.85	4-Year Public	-	-	-	F=8.04
Within Groups	596	1,356.77	(0.02)	4-Year Private		-	-	F=9.76
Total	600							

Table 2.E.3 shows that FAO professionals and peer employees at public institutions receive, on average, significantly better compensation than do their counterparts at private and proprietary schools. Four-year public institutions pay secretarial and clerical employees significantly more than do the private and proprietary schools, and 2-year public institutions offer significantly better compensation to their clerical and secretarial employees than do 4-year private institutions.

Retention and Recruitment of Aid Professionals

Table 2.E.4 indicates that slightly under two out of every five schools did not have any problem in hiring financial aid professionals. Of those schools which claimed to have problems in hiring professionals, the most commonly cited problems were lack of experience, low salaries, or lack of understanding of the technical aspects of financial aid programs. When aid offices were asked to list the areas in which they encountered hiring problems, approximately 60 percent responded that inexperience created recruitment difficulties, another 60 percent stated that applicants were discouraged by low salaries, and over one-half of the aid offices replied that applicants for professional positions were generally unfamiliar with the various aid programs.

Slightly over 50 percent of the institutions surveyed indicated that their aid offices experienced problems with retaining staff. Of these institutions, more than three out of every four schools cited low salaries as the cause, and over 60 percent of the institutions listed the lack of long-range opportunities as presenting an obstacle to staff retention.

Some observations are in order concerning the problems facing institutions in recruiting and retaining professional financial aid officers. First, the percentage of institutions experiencing a particular recruitment or retention problem never varies significantly across institutions; i.e., these are problems faced by all types of schools and in approximately the same magnitude. Second, the problem of insufficient compensation creates not only difficulties for the financial aid office in attracting professional employees, but is also a problem for financial aid offices in retaining professional personnel.

TABLE 2.E.3: MEAN SALARIES (IN ANNUAL DOLLARS) FOR SELECTED PERSONNEL CATEGORIES, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
FAP Professionals and Peer Employees 2/	12,152 (542)	13,954 (172)	11,403 (184)	15,442 (81)	8,882 (37)	10,359 (68)
Secretarial/ Clerical 3/	5,802 (481)	7,149 (172)	4,876 (153)	6,575 (77)	4,646 (27	5,370 (52)

1/ The number of institutions reporting is given in parenthesis. Due to OMB restrictions, salaries could be obtained directly. Rather the total wage bill was obtained and the salary for each category was calculated by dividing the wage bill by the number of full-time equivalent workers in that category.

2/ FAO Professionals and Peer Employees

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	519,691,520	19.46	4-Year Public	F=21.68	-	F=29.36	F=23.12
Within Groups	536	26,707,776	(0.00)	4-Year Private		F=34.00	-	-
Total	540			2-Year Public			F=40.75	F=22.93

3/ Secretarial/Clerical

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	129,651,184	10.07	4-Year Public	F=32.48	-	F=11.55	F= 9.39
Within Groups	475	12,870,602	(0.00)	4-Year Private		F=11.47	-	-
Total	479							

TABLE 2.E.4: PERCENT OF INSTITUTIONS GIVING SPECIFIC REASONS FOR HIRING AND RETENTION PROBLEMS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
No Hiring Problems	38.2 (690)	37.8 (197)	36.9 (231)	43.3 (106)	34.8 (55)	36.9 (101)
Hiring Problems: 2/						
Applicants Lack Needed Academic Background	9.4 (424)	9.8 (122)	7.6 (142)	6.3 (61)	8.5 (36)	12.2 (63)
Applicants Lack Needed Experience	61.3 (424)	62.5 (122)	62.9 (142)	49.4 (61)	66.0 (36)	65.1 (63)
Applicants Lack Needed Management Skills 3/	22.8 (424)	31.2 (122)	26.6 (142)	14.4 (61)	38.5 (36)	19.7 (63)
Applicants Discouraged By Salary Ranges	62.5 (424)	68.0 (122)	63.4 (142)	57.5 (61)	58.3 (36)	63.3 (63)
Applicants Lack Understanding of Technical Aspects of Financial Aid Programs	52.4 (424)	58.9 (122)	50.9 (142)	49.6 (61)	52.2 (36)	52.6 (63)
Applicants Lack Interviewing/Counseling Skills	18.7 (424)	19.5 (122)	21.8 (142)	11.3 (61)	25.1 (36)	19.4 (63)
Other	22.9 (424)	23.7 (122)	24.7 (142)	34.9 (61)	19.5 (36)	16.0 (61)
No Retention Problems 4/	48.1 (700)	39.2 (198)	42.5 (234)	56.1 (107)	38.1 (55)	51.2 (106
Retention Problems: 5/						
Insufficient Salary Scales	77.5 (386)	78.3 (119)	79.5 (134)	81.7 (48)	71.4 (34)	74.9 (51)
Insufficient Long-Range Opportunities	66.1 (386)	69.3 (119)	61.8 (134)	64.0 (48)	50.2 (34)	58.1 (51)
Other	18.3 (386)	16.4 (119)	20.2 (134)	21.8 (48)	17.9 (34)	16.0 (51)

1/ The number of institutions reporting is given in parenthesis. Column sums exceed 100% due to the possibility of multiple responses.

2/ Sample is restricted to schools claiming to have at least one problem in hiring professional staff.

3/ Applicants Lack Needed Management Skills

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	4	.49	2.56
Within Groups	427	.19	(.04)
Total	431		

TABLE 2.E.4 CONTINUED

4/ No Retention Problems

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.70	2.86	4-Year Public	-	F=8.03	-	
Within Groups	703	0.24	(0.02)					
Total	707							

5/ Sample is restricted to schools claiming to have at least one problem in retaining professional staff.

TABLE 2.E.5: PERCENTAGE OF INSTITUTIONS USING VARIOUS SELECTION CRITERIA IN HIRING FINANCIAL AID PROFESSIONALS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Academic Background	48.9 (424)	56.0 (202)	47.9 (237)	44.1 (107)	51.4 (58)	49.5 (108)
Prior Experience	84.6 (714)	86.9 (203)	82.8 (240)	82.1 (106)	84.8 (58)	86.3 (107)
Management Skills	70.6 (710)	74.5 (201)	70.6 (239)	68.2 (104)	74.5 (58)	70.3 (108)
Salary Range	31.4 (701)	36.8 (200)	31.6 (236)	37.1 (99)	32.4 (58)	27.3 (108)
Understanding of Technical Aspects of Financial Aid Programs	85.2 (717)	83.7 (204)	85.5 (242)	90.6 (104)	87.6 (58)	82.6 (109)
Knowledge of Interviewing and Counseling Techniques	66.7 (709)	63.4 (202)	69.7 (238)	70.8 (102)	67.2 (58)	63.7 (109)
Other	8.1 (715)	6.2 (203)	7.9 (241)	9.6 (103)	9.6 (59)	7.8 (109)

1/ Percentages reflect the multiple response potential of the question. The number of institutions reporting is given in parenthesis.

The problems that institutions face in their attempt to hire experienced and knowledgeable professional aid officers are magnified by the facts that prior experience and an understanding of the technical aspects of financial aid programs are the two criteria that institutions most often used when hiring financial aid professionals, as Table 2.E.5 indicates. Interestingly enough, the percentage of institutions listing salary range as a criterion in hiring professional staff is much lower than the percentage of institutions which list salaries as a hiring problem. The only possible resolution of what otherwise seems to be a contradiction is that many of the institutions which state that salary range is used as one of the criteria in hiring professionals must offer salaries which inhibit their ability to actually hire professional financial office officers. In the vast majority of cases, though, this is an area over which the aid office has little or no control. Salary levels are usually set by members of the institutional leadership.

F. OFFICE STAFF PRODUCTIVITY

Prior references have been made to "scale economies" and "efficiencies" which involved implications regarding financial aid office and worker productivity. The purpose of Table 2.F is to focus sharply on worker productivity. Before doing so, however, it must be clear that, in the discussion of worker productivity by institution type, no assumptions are being made as to the capabilities, or differences in capabilities, of workers among the school types. Rather, Table 2.F will examine productivity differences which would occur even if all personnel of a given type were identical in capabilities. That is, productivity differences will be due primarily to economies of scale of operation which results from the ability to provide a better mix of resource inputs such as computers, the ability to have office personnel specialize in task assignments through division of labor, and the ability to spread tasks such as many reporting functions, over a larger volume of office operations, and not to differences in worker capabilities. Furthermore, it should be clear to the reader that economies of scale of operation will be present whenever the productivity per worker increases as the size of operation increases. For convenience, the appropriate measures of the size of operations (persons counseled, number of aid applicants packaged, number of recipients) are repeated on Table 2.F from Table 2.D.

Table 2.F clearly indicates that economies of scale exist in the operations of financial aid offices. The average number of persons counseled per worker, the mean number of aid applicants packaged per worker, and the average number of unduplicated aid recipients per worker all increase as the average number of persons counseled, the mean number of aid applicants packaged, and the average number of unduplicated aid recipients, respectively, increase. Furthermore, there is a very close relationship between differences in productivity and differences in the scale of operations (and conversely, the lack of a significant difference in productivity tends to be associated with the lack of significant difference in the scale of operations). For example, the only significant differences in the mean number of aid applicants packaged across institution types are between 4-year public institutions and other types of schools and between 4-private institutions and proprietary schools. These same relationships exist in terms of the mean number of aid applicants packaged per worker, with but two exceptions. The mean number of aid applicants packaged per worker is greater at 4-year private schools than at 2-year private institutions. Furthermore, the mean number of aid applicants packaged per worker is greater at 2-year public than at proprietary institutions.

Turning to the program-specific measures of productivity, there is once again evidence of the existence of scale economies. However, the expected relationship between aid recipients per worker and the number of worker recipients is not perfect. The average number of BEOG recipients at 4-year public institutions is significantly greater than the average number of BEOG recipients at 2-year public schools, even though the mean number of BEOG recipients per worker at the former type of institution is insignificantly less than the mean number of BEOG recipients per worker at the latter type of school. In addition, the insignificant difference between the mean number of SEOG recipients per worker at 2-year public

TABLE 2.F: SELECTED MEASURES OF FINANCIAL AID OFFICE WORKER PRODUCTIVITY AND SCALE OF OPERATIONS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Mean Persons Counseled Per Office Worker 2/	255 (356)	405 (120)	219 (122)	409 (58)	207 (21)	56 (35)
Mean Persons Counseled 3/	1,435 (387)	4,503 (128)	1,081 (131)	1,486 (64)	925 (23)	172 (41)
Mean Aid Applicants Packaged Per Office Worker 4/	159 (463)	288 (144)	202 (161)	192 (78)	101 (28)	37 (52)
Mean Aid Applicants Packaged 5/	898 (511)	2,796 (155)	987 (176)	892 (85)	296 (33)	103 (62)
Mean Aid Recipients Per Office Worker:						
Unduplicated 6/	113 (374)	185 (123)	110 (134)	159 (57)	70 (21)	38 (39)
BEOG 7/	85 (453)	140 (143)	68 (148)	157 (75)	54 (28)	34 (59)
SEOG 8/	29 (405)	40 (145)	32 (143)	27 (60)	28 (23)	17 (34)
NDSL 9/	49 (382)	70 (144)	62 (141)	32 (50)	24 (21)	27 (26)
CWS 10/	45 (394)	61 (146)	52 (143)	40 (70)	44 (21)	14 (14)
Mean Aid Recipients:						
Unduplicated 11/	624 (349)	1,787 (130)	548 (149)	617 (64)	174 (26)	124 (42)
BEOG 12/	428 (506)	1,375 (151)	325 (167)	612 (86)	167 (33)	96 (69)
SEOG 13/	152 (444)	383 (154)	143 (159)	116 (66)	63 (27)	51 (38)
NDSL 14/	305 (418)	725 (153)	301 (157)	178 (54)	66 (24)	74 (30)
CWS 15/	246 (432)	575 (155)	236 (158)	166 (78)	108 (25)	45 (16)

1/ The number of institutions reporting is given in parenthesis.

2/ Number of Persons Counseled Per Office Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1,215,480	11.26	4-Year Public	F=19.34	-	-	F=27.72
Within Groups	349	107,964	(0.00)	4-Year Private		F=13.08	-	-
Total	353			2-Year Public				F=23.23

TABLE 2.F CONTINUED

3/ Number of Persons Counseled

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	266,613,392	9.52	4-Year Public	F=27.07	F=13.83	F=8.90	F=19.19
Within Groups	349	289,009,120	(0.00)					
Total	384							

4/ Number of Aid Applicants Packaged Per Office Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	650,935.75	21.58	4-Year Public	F=18.44	F=14.76	F=27.05	F=72.74
Within Groups	447	30,164.96	(0.00)	4-Year Private		-	F= 8.05	F=32.46
Total	451			2-Year Public			-	F=22.78

5/ Number of Aid Applicants Packaged

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	120,935,440	30.18	4-Year Public	F=66.46	F=48.96	F=41.23	F=74.07
Within Groups	446	4,007,028	(0.00)	4-Year Private		-	-	F= 8.27
Total	501							

6/ Number of Unduplicated Aid Recipients Per Office Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	204,635.50	21.82	4-Year Public	F=38.08	-	F=25.51	F=58.53
Within Groups	362	9,376.73	(0.00)	4-Year Private		F=10.22	-	F=14.47
Total	366			2-Year Public			F=13.15	F=32.17

TABLE 2.F CONTINUED

7/ Number of BEOG Recipients Per Office Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	235,758.37	21.82	4-Year Public	F=54.34	-	F=24.82	F=68.25
Within Groups	448	6,910.30	(0.00)	4-Year Private		F=56.82	-	-
Total	452			2-Year Public			F=31.02	F=72.49

8/ Number of SEOG Recipients Per Office Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	4,073.34	3.81	4-Year Public	-	-	-	F=11.44
Within Groups	394	1,068.15	(0.01)					
Total	398							

9/ Number of NDSL Recipients Per Office Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	23,953.85	4.38	4-Year Public	-	F=28.07	F=19.68	F=13.82
Within Groups	446	1,888.61	(0.00)	4-Year Private		F=17.83	F=13.53	F= 9.27
Total	369							

10/ Number of CWS Recipients Per Office Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	11,093.90	7.82	4-Year Public	-	F=14.49	-	F=20.76
Within Groups	389	1,418.69	(0.00)	4-Year Private		-	-	F=13.73
Total	393							

2.F. CONTINUED

11/ Unduplicated Number of Aid Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	39,685,264	38.44	4-Year Public	F=102.35	F=56.45	F=54.39	F=71.86
Within Groups	398	1,032,314	(0.00)					
Total	402							

12/ Number of BEOG Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	31,164,032	44.70	4-Year Public	F=123.99	F=44.98	F=56.47	F=110.25
Within Groups	499	697,103	(0.00)	4-Year Private		-	-	F= 14.57
Total	503							

13/ Number of SEOG Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1,799,834	23.58	4-Year Public	F=58.22	F=43.02	F=30.70	F=38.06
Within Groups	431	76,318	(0.00)					
Total	435							

14/ Number of NDSL Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	6,187,536	22.57	4-Year Public	F=50.15	F=43.18	F=32.72	F=27.21
Within Groups	400	274,173	(0.00)					
Total	404							

TABLE 2.F CONTINUED

15/ Number of CWS Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3,796,472	31.41	4-Year Public	F=73.54	F=71.27	F=38.60	F=33.55
Within Groups	425	120,870	(0.00)					
Total	429							

and 2-year private institutions is of the opposite direction than would be expected on the basis of the insignificant difference in the mean number of SEOG recipients at these two types of institutions. The other exception to the expected greater level of productivity whenever the number of aid recipients is greater is between those 2-year public and 2-year private schools which participate in the College Work-Study Program.

G. SUMMARY

Section B of this chapter revealed that the public institutions surveyed are larger and less expensive in terms of tuition and fees than are the private and proprietary schools. Four-year public schools have more aid recipients and employ larger staffs to serve their recipients than do other types of institutions. All of the schools surveyed participate in the Basic Grant program. Participation rates in the Campus Based programs are significantly higher at 4-year institutions than at their 2-year and proprietary counterparts.

In Section C, it was noted that schools which do not take part in the NDSL program but are participants in other Campus Based programs, are smaller, charge less in tuition and fees, have fewer Federal aid recipients, and employ fewer financial aid officers than are institutions which take part in all of the Campus Based programs. The most common reasons institutions cite for nonparticipation in SEOG, NDSL, and CWS are the lack of student interest in the program, the lack of administrative resources, and the difficulty the institution experiences with job placement, respectively.

Section D revealed that, on average, financial aid officers at 4-year public institutions are faced with a heavier workload than financial aid officers at other institutions. In addition, schools counsel many more persons concerning financial aid than they package, indicating that the availability of financial aid is an important aspect of a student's choice of a school. Furthermore, a greater percentage of students attending 4-year private schools receive financial assistance from each of the Campus Based programs than do students at 4-year public institutions.

As illustrated in Section E, 4-year public institutions not only employ greater numbers of workers in the financial aid offices than do other types of schools, but a greater percentage of a 4-year public school's staff consists of full-time employees. Full-time professional aid employees appear to have more experience at their current places of employment than do part-time professional aid officers. It is also apparent that professional aid employees are better compensated at public institutions than at private and proprietary schools. The amount of experience and technical knowledge are cited as important criteria in hiring professional aid officers, and finding experienced and knowledgeable applicants for professional positions in aid offices are among the most common problems in hiring aid officers. The lack of sufficient compensation for professional aid officers was found to be most serious hinderance to both the hiring and retaining of professional financial aid personnel.

Section F summed up the chapter's findings by presenting clear evidence of the existence of economies of scales in the operation of financial aid offices. With very few exceptions, the productivity of the financial aid worker increased as the scale of operations of the financial aid office increased.

3

SELECTED STUDENT SERVICES OF THE FINANCIAL AID OFFICE

A. INTRODUCTION

The financial aid community--professional associations, financial aid administrators, state aid commissions, student groups--have traditionally utilized their own expertise to develop innovative methods for disseminating information on student financial aid. The Office of Education has attempted to improve the quality of available student information services in order to maximize the impact of the Federal support programs. This concern for the availability of student information arises as one attempts to comprehend the complexity of the system of financial aid. Without some understanding of all of the various kinds of financial aid and the rules for their use, students cannot be expected to make an informed decision on whether or not to enroll in a postsecondary institution.

Students need information on financial assistance throughout their scholastic careers to make a series of crucial decisions regarding their pursuit of postsecondary education. Although this is an ongoing process, there are certain times when the availability of information is especially critical. As high school students attempt to decide whether or not to attend a postsecondary school and, subsequently, which school they will attend, their need for accurate, comprehensible information is great. For the most part, entering students must rely on their high school guidance counselors and the admissions offices of the postsecondary institutions they contact to provide information on the potential availability of student financial aid.

Continuing students usually interact more directly with local financial aid offices to obtain information regarding the determination of their eligibility and award amounts as well as to meet their counseling needs. Recipients of assistance must also rely on the aid office to apprise them of changes in student financial aid programs and to maintain their financial aid records in good order. Many recipients will also require information on their financial aid situation upon completion or termination of their education. In particular, students who have secured loans in order to finance their education must be informed of their rights and obligations with regard to repayment.

At first glance, the process of information dissemination for student financial aid appears to be strictly decentralized. Out of necessity, the bulk of the responsibility for the provision of information must be placed at the local level where contact with the consumers can most readily occur. This does not reduce, however, the need for high school counselors, institutional aid officers, and ultimate sponsors of student aid programs (e.g., state and Federal governments) to supply accurate, descriptive information.

B. THE ISSUE OF CONSUMERISM

The Federal government's recognition of the importance of student consumerism was an outgrowth of a variety of influencing factors. Traditionally, a great deal of financial aid information was disseminated by people whose prime responsibilities were other than financial aid (e.g., admissions personnel, high school counselors), and frequently they did not fully understand the system they were attempting to explain. Furthermore, the rapid development, periodic changes, and intricacies of the program made it increasingly difficult for these unspecialized individuals. Another contributing factor to the rise of student consumerism was the pressure exerted by student lobbyists who believed that many schools had been negligent in providing students with a full disclosure of financial aid policies and procedures.

In response to these needs, the Student Consumer Information Requirements was published in 1977 by the Office of Education, based on the Education Amendments of 1976. These requirements stipulate that an institution must furnish all of the following information upon request:

- the student financial assistance programs available to enrolled students, including information on the Title IV (BEOG and Campus Based) programs in which the school participates, as well as state and institutional programs;
- the forms and procedures by which students apply for aid, the student eligibility requirements, and the criteria used by the institution to select financial aid recipients and determine award amounts;
- the requirements for continued eligibility under the programs;
- the rights and responsibilities of students receiving Federal grants and loans;
- the means and frequency by which the funds are disbursed;
- the institution's definition of "maintaining satisfactory progress" in order to continue to receive financial aid funds, and how students who have dropped below this standard may reestablish eligibility;
- the terms of loans and sample repayment schedules;
- the terms which apply to any employment extended to the student;
- the cost of attending the institution (i.e., tuition and fees, books and supplies, room and board, and any additional program costs);
- the institution's refund policy;
- the academic programs offered by the institution;
- data on student retention at the institution;
- the number and percentage of students completing a particular program, if available; and
- the titles of the individuals to be contacted for more information and the ways in which they can be reached.

Finally, the requirements mandate that each institution must have an employee, or a group of employees, available on a full-time basis to help all students obtain information. This requirement, however, may be waived for an institution too small to need a full-time employee.1/

1/Bureau of Student Financial Aid, Bulletin. USOE: February 1978, p. 5.

These requirements have led many institutions to produce financial aid "handbooks," a number of which were collected during the course of the site visits. The Federal government also publishes its own information materials which outline the whys and wherefores of the Federal student aid programs. Many institutions use these publications in combination with others provided by state agencies or private sources as the basis for their information dissemination efforts. As noted above, institutions also may choose unique, independent approaches to student information by developing and publishing their own materials.

The Division of Training and Dissemination of the Bureau of Student Financial Aid at USOE, by far the most prominent source of Federal information, has launched a campaign to advertise the availability of Federally funded student assistance programs. Directed primarily at the high school population, this effort includes the distribution of posters containing a pocket with Basic Grant applications, student financial aid fact sheets and a brochure entitled "Federal Student Aid: Where Do You Fit In?" to 25,000 high schools, public libraries, community organizations, and Social Security Administration offices throughout the nation. A toll-free Wide Area Telephone Service (WATS) number is also maintained by an independent contractor in order to provide general program information and respond to specific inquiries concerning the completion of Basic Grant applications. Finally, a publication listing institutions which participate in the Campus Based programs has been distributed to high schools and to lending institutions across the country.

The Division also promotes better understanding of financial aid programs among secondary school personnel through training projects. One component of this effort has been the development of a Basic Grant slide/cassette presentation, distributed to 25,000 high schools. This has drawn a very favorable response, and there are plans to make the same material available as a filmstrip. Secondly, two sets of workshops, sponsored by a consortium of professional associations (the National Association of Student Financial Aid Administrators (NASFAA), the American Personnel and Guidance Association (APGA), and the National

Association of College and University Business Officers (NACUBO)), have been provided for high school counselors and postsecondary administrators of financial aid. The purpose of these workshops is to foster expertise among these individuals and to help them provide accurate information to prospective aid recipients.

Finally, the Bureau has produced and disseminated public service television announcements advertising the Basic Grant program. For the 1980-81 academic year, a new set of television advertisements has been produced using animation, familiar personalities, and a generally "soft-sell" approach. Through these announcements, USOE hopes to catch the eyes of prospective aid recipients and to make them aware of the availability of "Study Money." Applied Management Sciences has prepared a Guide to Selected Financial Aid Management Practices which will be distributed by the Education Department's Office of Program Evaluation late in 1980. Among the topics addressed in the Guide is the provision of student aid information to students. Comprehensive discussions of various dissemination strategies are included in the Guide as well as a model for an institutional student aid information publication.

C. THE ROLE OF THE INSTITUTION

The ultimate responsibility for the dissemination of information on student financial assistance lies primarily with the institutions. They are the focal point of the financial aid system, due to their role as the direct disburser of aid dollars. Furthermore, institutions have a vested interest in ensuring that their students receive all of the financial assistance for which they are eligible since a significant portion of the revenues which schools receive for tuition, fees, and on-campus housing and board are derived from the financial aid dollars awarded to their students. To assure that students finance their educational costs as effectively as possible, financial aid offices must provide students with needed counseling and information.

The Use of Media

The Student Consumer Information Requirements, detailed above, have spurred the design and distribution of an array of publications sponsored by individual institutions. A wide range of dissemination activities have been tried by institutions in their attempt to comply with the regulations. However, as noted earlier, these local interpretations vary in quality and comprehensiveness. The actual materials utilized by institutions to inform students about financial aid range from rather small sections buried in school catalogues, to separate brochures and pamphlets which address all of the relevant issues of student financial assistance in a straightforward, comprehensive, and attractive manner. An example of the latter is a large public university's financial aid packet which goes considerably above and beyond the minimum Federal requirements by including an aid application, an explanation of the school's aid packaging philosophy, a summary of the need analysis process for aid applicants, and examples of estimated family contributions.

Despite attempts by various offices within USOE to disseminate information on student financial aid programs, data collected during the institutional site visit survey revealed that nearly one-third of the schools--31 percent--make little or no explicit use of the materials provided by USOE or other agencies. On the other hand, 20 percent do utilize literature provided by USOE, and 14 percent use other materials from Federal and state governments as supplements that are incorporated into their own materials.

In order to disseminate information to students at a particular institution, an aid officer can use a variety of approaches. Ideally, aid officers should be expected to provide information in the manner that would best suit the student population at their individual institutions. In practice, though, motivational, resource, and/or talent considerations govern their ability to develop and implement effective information services.

The results of the present study are presented in Tables 3.C.1 and 3.C.2. Note that over 91 percent of the institutions use brochures and/or pamphlets to inform students about financial aid. The use of

TABLE 3.C.1: PERCENT OF INSTITUTIONS DISTRIBUTING WRITTEN FINANCIAL AID CONSUMER INFORMATION, BY TYPE OF WRITTEN INFORMATION AND LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1973-79 1/

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Newsletter 2/	26.1	37.9	29.5	29.6	30.6	17.0
Fact Sheet	78.0	81.6	83.67	73.4	76.5	75.9
Pamphlet, Brochure 3/	91.3	97.1	95.5	96.5	87.8	83.8
Other (Bulletins), Announcements)	7.3	8.9	9.6	7.8	12.3	4.3
One or More of Above 4/	98.2	100.0	100.0	98.9	97.6	96.0
Institutions Reporting	587	170	202	94	42	79

1/ Column percentages sum to more than 100% because of multiple responses.

2/ Newsletter.

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.60	2.86	4-Year Public	-	-	-	F = 11.21
Within Groups	580	0.21	(0.02)					
Total	584							

3/ Pamphlet

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.31	F = 5.74	4-Year Public	-	-	-	F = 17.37
Within Groups	580	0.05	(0.00)	4-Year Private		-	-	F - 14.31
Total	584			2-Year Public			-	F = 12.71

4/ One or More

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.03	3.31	4-Year Public	-	-	-	F = 9.77
Within Groups	580	0.01	(0.01)	4-Year Private		-	-	F = 10.31
Total	584							

TABLE 3.C.2: PERCENT OF INSTITUTIONS USING SELECTED MEANS TO DISTRIBUTE FINANCIAL AID CONSUMER INFORMATION, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Letters to High School Seniors 2/	41.2	43.0	53.0	28.7	54.1	38.2
Student Newspapers, Student Radio Stations 3/	55.8	90.5	66.3	76.6	45.7	25.3
Presentations Before Groups of Potential Applicants and/or Their Parents 4/	16.6	25.2	12.2	33.2	4.9	8.1
Institutions Reporting	587	170	202	94	42	79

[1] Column percentages sum to more than 100% because of multiple responses.

2/ Letters

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.14	F = 4.71	4-Year Private		F = 15.60	-	-
Within Groups	580	0.24	(0.00)					
Total	584							

3/ Newspapers

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	6.45	F = 36.81	4-Year Public	F = 29.69	-	F = 38.50	F = 130 14
Within Groups	580	0.17	(0.00)	4-Year Private		-	F = 8.71	F = 55.21
Total	584			2-Year Public			F = 15.78	F = 64.03

4/ Presentations

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.30	F = 9.20	4-Year Public	F = 10.91	-	F = 9.75	F = 11.07
Within Groups	580	0.14	(0.00)	4-Year Private		F = 19.76	-	-
Total	584			2-Year Public			F = 16.32	F = 18.96

newsletters and brochures and/or pamphlets is lower in proprietary institutions than in other schools. Proprietary institutions often lack the resources necessary to prepare their own consumer information booklets and can benefit greatly from aid information materials prepared by the Office of Education, professional associations such as the National Association of Trade and Technical Schools (NATTS), and others.

Financial aid fact sheets are furnished by most of the schools (78%), and many (56%) also publish information in student newspapers and/or make announcements on campus radio stations. Student newspapers and radio stations are most often found in the 4-year schools and in the 2-year public schools which explains why their use is greatest at these schools and least at proprietary institutions. To reach prospective students, some schools (17%) send representatives, usually admissions officers, to meet with high school seniors and others in outreach workshops and presentations, at which time the issue of financial aid is addressed. This practice is most common at 2-year public and 4-year private schools. This is likely due to the close link that often exists between 2-year public schools and their communities and to the high cost of 4-year private schools, which causes them to actively recruit, using financial aid as an inducement to students. Furthermore, over 41 percent of the schools mail letters containing information about available aid programs directly to high school seniors, although it is not clear whether this is done in mass form or on a request basis only. Finally, less than one percent of the schools report that they take no measures to inform students about financial aid. The percentage reporting no action was extremely low for every type of institution.

Application Forms

The most basic information service an institution can provide is to furnish applications for the financial aid programs for which a student may be eligible. The manner in which individual institutions distribute these forms is a matter of institutional discretion. Results from the institutional mail survey are reported in Tables 3.C.3 and 3.C.4. Of the schools participating in the mail survey, the vast majority (86%) make

TABLE 3.C.3: PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO DISTRIBUTE BEOG APPLICATIONS (INCLUDING CSS, ACT ETC.) BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprie-tary
All Students Receive Forms (including entering students) 2/	50.4	39.7	46.9	34.9	54.1	64.1
Students Informed About Where to Obtain Forms 3/	69.3	90.0	80.7	83.6	75.9	46.7
Forms Available at Financial Aid Office 4/	86.2	99.1	93.5	93.7	91.5	72.7
Forms Widely Available 5/	36.7	56.3	31.4	59.8	34.5	21.2
Institutions Reporting	740	212	247	115	57	1

1/ Column percentages sum to more than 100% because of multiple responses.

2/ All

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Propri-etary
Between Groups	4	1.54	6.38	4-Year Public	-	-	-	F = 17.44
Within Groups	734	0.24	(0.00)	4-Year Private		-	-	F = 9.16
Total	738			2-Year Public			-	F = 19.49

3/ Informed

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Propri-etary
Between Groups	4	3.52	23.37	4-Year Public	-	-	-	F = 87.81
Within Groups	734	0.15	(0.00)	4-Year Private		-	-	F = 57.17
Total	738			2-Year Public			-	F = 50.07
				2-Year Private				F = 20.84

TABLE 3.C.3 CONTINUED

4/ Aid Office

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Propri-etary
Between Groups	4	1.29	19.21	4-Year Public	-	-	-	F = 73.56
Within Groups	734	0.07	(0.00)	4-Year Private		-	-	F = 47.99
Total	738			2-Year Public			-	F = 36.41
				2-Year Private				F = 19.23

5/ Widely Available

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Propri-etary
Between Groups	4	3.92	17.54	4-Year Public	F = 31.43	-	F = 9.40	F = 38.78
Within Groups	734	0.22	(0.00)	4-Year Private		F = 28.31	-	-
Total	738			2-Year Public			F = 10.82	F = 36.77

TABLE 3.C.4: PERCENT OF INSTITUTIONS REQUIRING STUDENTS TO APPLY FOR BEOG IN ORDER T
BE ELIGIBLE FOR OTHER AID, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMI
YEAR 1978-79

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprie-tary
Percent 1/	23.1	16.4	23.7	11.3	25.9	32.1
Institutions Reporting	716	209	242	112	54	99

1/

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Propri-etary
Between Groups	4	0.74	4.60	4-Year Public	-	-	-	F = 9.84
Within Groups	707	0.16	(0.00)	2-Year Public		-	-	F = 13.65
Total	711							

Basic Grant application forms available in the financial aid office and make an effort to inform students about this. Many schools (37%) also report that the forms are available at other campus locations, such as the student union or library. As part of overall recruiting and retention strategies, 50 percent indicate that all students, incoming and continuing, automatically receive the necessary application forms.

It is especially important that the Basic Grant application form be made available to all students. It is the student's right. In addition, many schools (23%) require that students apply for BEOG in order to be eligible for other aid. This practice of requiring a BEOG application is most common among proprietary schools (32%) and least common among 2-year public schools (11%). Because a BEOG application is often required, difficulty in obtaining a BEOG application and a resulting failure to apply for BEOG often involves a forfieture of rights to other aid. As one might expect, those schools which require the student to apply for a Basic Grant in order to be eligible for other aid tend to be the schools which provide the BEOG application to all incoming and continuing students. This approach is rapidly becoming out-moded, however, due to the emergence of the "common financial aid form" by which students can, simply by checking an appropriate box on the most commonly used aid application forms, indicate their desire to have their eligibility for a Basic Grant calculated.

Notification of Aid Award

Due to the financial considerations which students must resolve before reaching decisions concerning access to and persistence in postsecondary schools, the timing of student aid award notices can be crucial. Late award notification can diminish the options available to the student and, for certain students, provide a barrier to the pursuit of further education. It is logical to assume that award notification must be coordinated with the start of the academic year. The bare minimum, which can be expected by the student, is that institutions do not wait until the term has begun to furnish them with this vital information.

As shown in Table 3.C.5 the time lapse between student submission of his or her SER and notification of his or her BEOG award is very short. Over 50 percent of all schools claim to notify applicants within two weeks. (Fifty-six percent of the proprietary institutions claim to notify applicants within one week). This low processing time is due to the largely routine procedure by which the BEOG aid amount is determined once the institution is informed of the student's eligibility index (SEI). These results should be veiwed with caution, however, since they cannot be corroborated with data collected from aid applicants.

The processing of a student's application for financial aid involves a series of complex steps all of which are time-comsuming. Once an application is submitted it is usually forwarded to a private processing center that estimates the financial resources of the applicant (and his or her family). The institutional financial aid office, upon receipt of the application from the processor, must then determine the need of the student relative to other aid applicants, assign an appropriate budget to the student, verify the reported data, package aid for the student, and notify the student of the nature and amount of his or her award. For this reason, institutions must establish a deadline date for submission which leaves them with enough time to accomplish all of these tasks prior to the start of the academic term for which the aid is to be awarded.

In order to coordinate aid award notification with the start of the academic year (usually September) and allow students sufficient time to make decisions regarding their attendance, institutions typically require submission of aid applications by the middle of April. The cut-off dates for submission of aid applications are slightly earlier for first-time students (early April) and a little later for transfer students (end of April). The cut-off dates for the submission of student aid applications are provided in Tables 3.C.6 and 3.C.7.

TABLE 3.C.5: TIME LAPSE BETWEEN STUDENT SUBMISSION OF SER AND NOTIFICATION OF BEOG AWARD, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Mean Number of Weeks 1/	2.5	3.1	2.3	2.3	3.2	2.4
Percentage Distribution:						
One Week or Less 2/	44.4	20.7	36.7	47.2	30.3	56.3
Two Weeks 3/	25.6	35.0	32.5	26.5	25.6	18.1
Three-Four Weeks 4/	15.7	30.5	23.8	13.8	28.3	6.0
More Than Four Weeks 5/	14.3	13.9	7.2	12.6	15.9	19.6
Institutions Reporting	685	194	227	110	50	104

1/ Mean

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	27.35	4.87	4-Year Public	-	F = 13.26	F = 8.83	-
Within Groups	680	5.61	(0.00)					
Total	684							

2/ One Week or Less

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	2.59	11.90	4-Year Public	F = 12.32	F = 22.70	-	F = 39.09
Within Groups	680	0.22	(0.00)	4-Year Private		-	-	F = 12.49
Total	684			2-Year Private		-	-	F = 10.46

TABLE 3.C.5 CONTINUED

3/ Two Weeks

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.57	2.77	4-Year Public	-	-	-	F = 9.23
Within Groups	680	0.21	(0.03)					
Total	684							

4/ Three-Four Weeks

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.26	F = 7.67	4-Year Public		F = 11.99		F = 24.43
Within Groups	680	0.16	(0.00)	4-Year Private		-	-	F = 13.50
Total	684			2-Year Private		-	-	F = 10.13

5/ More Than Four Weeks

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.31	F = 2.92	4-Year Public	-	-	-	F = 10.08
Within Groups	680	0.11	(0.02)					
Total	684							

TABLE 3.C.6: CUT-OFF DATES FOR STUDENT SUBMISSION OF AID APPLICATIONS AND NEED ANALYSIS INFORMATION FOR THE FALL TERM BY STUDENT STATUS AND INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
Student Status	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
First-Time Students 2/	Mid-April (192)	Mid-April (73)	Late-March (89)	Mid-May (16)	Mid-May (7)	Mid-March (7)
Continuing Students	Mid-April (210)	Mid-April (81)	Mid-April (97)	Mid-May (17)	Late April (8)	Mid-March (7)
Transfer Students	Mid-April (192)	Late-April (77)	Mid-April (85)	Mid-May (16)	Mid-May (8)	Mid-March (6)

1/ The number of institutions reporting is given in parentheses.

2/ First-Time Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Propri-etary
Between Groups	4	14.47	4.33	4-Year Public	-	F = 11.24	-	-
Within Groups	180	3.34	(0.00)					
Total	184							

TABLE 3.C.7: CUT-OFF DATES FOR STUDENT SUBMISSION OF AID APPLICATIONS AND NEED ANALYSIS INFORMATION FOR THE FALL TERM BY STUDENT STATUS: ACADEMIC YEAR 1978-79

	Student Status		
	First-time Student	Continuing Student	Transfer Student
Mean Cut-Off Date 1/	Mid-April	Mid-April	Mid-April
Percentage Distribution:			
End of February 2/	10.4	5.2	2.8
End of March 3/	33.1	25.8	31.6
End of April 4/	17.3	24.8	21.7
End of May 5/	13.2	20.5	16.5
End of June	13.4	13.0	15.2
Later 6/	13.8	0.0	0.0
Institutions Reporting	192	210	192

1/ Mean

	Continuing	Transfer
First-Time	t = -2.08	t = -3.36

2/ February

	Continuing	Transfer
First-Time	-	t = 2.89

3/ March

	Continuing	Transfer
First-Time	t = 2.28	-

4/ April

	Continuing	Transfer
First-Time	t = -2.01	-

5/ May

	Continuing	Transfer
First-Time	t = -2.13	t = -2.07

6/ Later

	Continuing	Transfer
First-Time	t = 4.21	t = 4.21

D. SUMMARY

The importance of information about financial aid is widely recognized. Prompted by the Consumer Information Requirements authorized by Congress in 1976, USOE and postsecondary educational institutions have attempted to improve the quality and quantity of information services. The ultimate responsibility for dissemination of information still lies with the institutions. As this chapter made clear, financial aid office(r)s prepare the information in a variety of formats and present it through numerous media. This diversity is to be expected because the schools vary in the resources available and in the student populations they are serving and trying to attract.

The most basic information service an institution can provide is to make financial aid applications available to students. The vast majority of institutions provide this service and do so in a way that reaches out to the bulk of the student population. Almost half of the schools claim that all students, incoming and continuing, automatically receive the necessary application forms.

Unfortunately, the present study is restricted to information provided by financial aid officers about themselves. Further insight could be gained from an analysis of information provided by aid applicants and students.

While considerable progress has been made in the area of information dissemination and application processing, there is still a need for considerable improvement in both of these facets in the delivery of student financial aid to students.

4

NEED ANALYSIS AND BUDGETING

A. INTRODUCTION

As part of the process of distributing student financial aid, the individual institutions of postsecondary education have been assigned some of the most crucial tasks: the estimation of the cost of education (the subject matter of Section B), the estimation of the financial resources of the aid applicant (covered in Section C), the verification of data reported by applicants (examined in Section D), and the combination of the various available resources of student financial assistance into individual aid "packages" (see Chapter 5). Although these tasks appear to be separate items, they are, in fact, highly interrelated.

Perhaps the most integral term in the field of student financial assistance is need. The Federal government has, through legislation, recognized that each student's need for financial assistance is unique to his or her individual circumstance. The current system of distributing Campus Based aid funds has been built on this premise. As opposed to the centralized system which governs the distribution of Basic Educational Opportunity Grants (BEOGs), the Campus Based programs shift the responsibility to the local financial aid office which must assess, evaluate, and package assistance to meet students' needs. While the Basic Grant program has been designed to offset the core costs of a student's postsecondary education, the Campus Based aid programs are aimed at meeting the direct and indirect fiscal demands of that education. The intent of creating a system which relies so heavily on the local aid office was to promote equitable treatment of students through an evaluation of their individual financial situations.

A General Model of Aid Packages

In order to determine what will be referred to here as the "gross financial need" of an individual student, the financial aid officer must identify two specific dollar amounts (see Exhibit 4.A.1). The first, "total student expense budget," represents the total cost of a student's education at a particular institution. This includes the direct costs of attendance--tuition, fees, books--as well as those expenses which are indirectly related to the pursuit of a postsecondary education--room, board, transportation, and various personal maintenance expenditures. The second dollar figure is the "expected total family contribution" (EFC). Loosely defined, the expected total family contribution is the amount of money which a student's family (including the student) can be expected to contribute to the total cost of that student's education for one academic year. This includes exacting specific dollar amounts from certain categories of family resources including: the previous year's income (taxable and nontaxable); home, business, farm, and/or other investment equities; spouse's earnings; student savings; and family savings. The amount which a family is expected to contribute is computed after allowing for individual family considerations such as the size of the household, the nature of the income, and the number of household members enrolled in postsecondary education, among others.

As illustrated in Exhibit 4.A.2, by subtracting the EFC from the total student expense budget, one arrives at the figure for the "gross financial need" of an individual student. In attempting to design an aid package which effectively meets this need, the financial aid officer must draw upon the financial resources which are available to that particular institution and the resources of the individual student. The options available to that aid officer and the student will, to some degree, be a function of the institution's geographic location, size, academic programs, participation in the Campus Based Programs, and other characteristics.

EXHIBIT 4.A.1: THE FINANCIAL AID PACKAGE

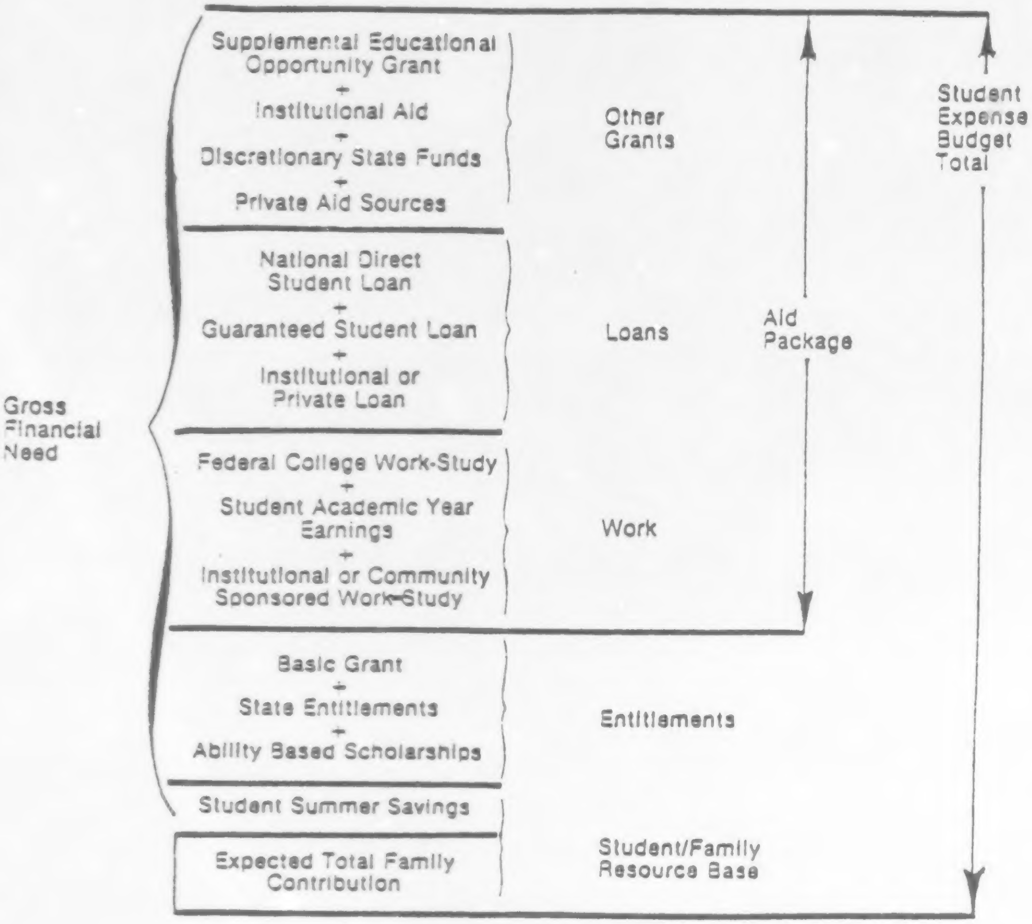
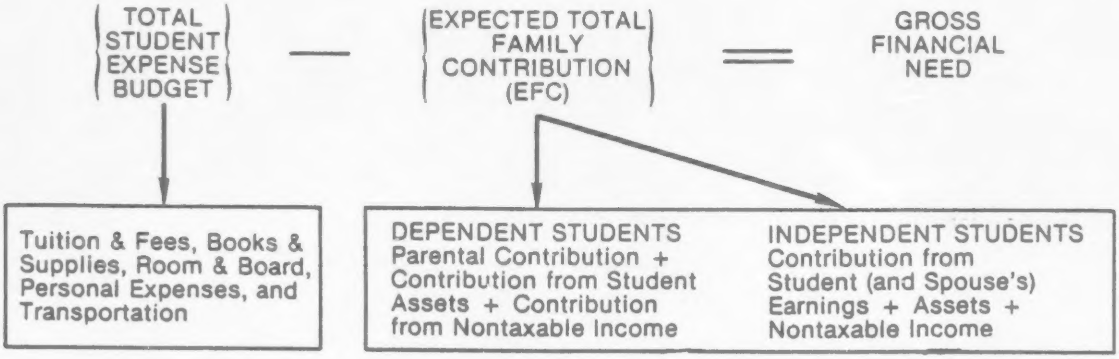

Supplemental Educational Opportunity Grant
+
Institutional Aid
+
Discretionary State Funds
+
Private Aid Sources
Other Grants
National Direct Student Loan
+
Guaranteed Student Loan
+
Institutional or Private Loan
Loans
Federal College Work-Study
+
Student Academic Year Earnings
+
Institutional or Community Sponsored Work-Study
Work
Basic Grant
+
State Entitlements
+
Ability Based Scholarships
Entitlements
Student Summer Savings
Expected Total Family Contribution
Student/Family Resource Base
Gross Financial Need
Aid Package
Student Expense Budget Total

EXHIBIT 4.A.2: DETERMINATION OF NEED


TOTAL STUDENT EXPENSE BUDGET
—
EXPECTED TOTAL FAMILY CONTRIBUTION (EFC)
=
GROSS FINANCIAL NEED
Tuition & Fees, Books & Supplies, Room & Board, Personal Expenses, and Transportation
DEPENDENT STUDENTS
Parental Contribution + Contribution from Student Assets + Contribution from Nontaxable Income
INDEPENDENT STUDENTS
Contribution from Student (and Spouse's) Earnings + Assets + Nontaxable Income

READ: Total student expense budget minus expected total family contribution equals gross financial need.

In drawing together the elements highlighted in Exhibit 4.A.1, the local aid officer attempts to balance all of the countervailing factors in the aid process and realize the intended purpose of student aid--elimination of the financial barriers to postsecondary education. The Keppel Task Force Report had this to say on the subject:

> One of the points at which the other inequities of the present student aid system can be corrected is where the institutional student aid administrator pulls all of the resources together into a package based on the goal of maximizing educational opportunities for the largest numbers of students. Packaging is the moment of truth when it all comes together, where the broad funnel of aid resources comes to its narrowest point and those resources delivered to the student.1/

B. ESTIMATION OF THE COST OF EDUCATION

Institutional financial aid offices are charged with the responsibility of estimating the total cost of education for student aid recipients. Working within Federal guidelines, local financial aid officers must establish budgets used in the calculation of Basic Grant and Campus Based student aid awards due to the fact that the cost of education is a prime determinant in calculating a student's level of need. Expense budgets established for use with Campus Based programs

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1/Francis Keppel, National Task Force on Student Aid Problems. Final Report, (Brookdale, California: The Task Force, 1975), p. 68.

must also be tailored to meet the actual costs to be incurred by students and must recognize that all students cannot live on the same budget. The National Association of Student Financial Aid Administrators (NASFAA) presents the following as an overview of institutional responsibilities concerning the preparation of student budgets. This discussion is based on the report of the NASFAA-sponsored National Student Expense Budget Conference held in March 1977:

> As student budgets are contemplated, an institution must identify and develop the economic standards which should be reflected within its student budgets. Thus, the appropriate standard of living must be defined and the general guidelines which reflect this standard must be identified for each expense component.
>
> The budget should provide for reasonable costs (that is moderately modest but adequate) necessary to enable a student to attend a post-secondary educational institution during an academic year or proportionate period thereof. The budget should provide for the essential goods and services necessary to permit the individual student to devote his/her primary energies to the pursuit of an acceptable educational objective.[2]

Basic Grant Budget Regulations

As with other aspects of the Basic Grant program, the U.S. Office of Education (USOE) has elected to impose a rigid structure on the development of budgets which are used in the calculation of Basic Grant awards. This unique procedure is mandated by statute:

> 190.51 General attendance costs
>
> Except as provided in Section 190.52 through 190.55, the following are recognized as a student's costs of attendance:
>
> (a) Tuition and fees;
>
> (1) The amount charged to a full-time student by the institution for tuition and fees for an academic year.
>
> (2) Tuition and fees may include travel costs within the United States required for completion of a course of study, but not for travel between the student's residence and the institution, or for travel outside the United States.

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[2] National Association of Student Financial Aid Administrators, Fundamental Financial Aid Self Learning Guide (Washington, D.C., NASFAA: 1980).

(b) Room and board:

  (1) The amount charged the student by the institution under a contract for:

    (i) Room and board for the academic year,
    (ii) Room, plus an allowance of $625 for board for the academic year, or
    (iii) Board, plus an allowance of $475 for room for the academic year,

  (2) If no contract is entered into for either room or board, an allowance of $1,100 for the academic year whether or not the student lives with a parent, or

  (3) If an institution enters into a contract with the student for room and/or board for less than seven days a week, a daily rate will be computed based upon the standard allowance and used for those days not covered by the contract. This amount will be added to the costs established under clauses (i), or (ii), or (iii) of subparagraph (b)(1), whichever is applicable.

(c) An allowance of $400 will be made for books, supplies, and miscellaneous expenses for the academic year.

(d) An institution may not charge a student who receives a Basic Grant more than it charges a student enrolled in that same program who does not receive a Basic Grant.[3]

Despite this mandated procedure,the Basic Grant budget is likely to vary from institution to institution as a result of differences in associated costs, specifically the charges for tuition and/or fees and on-campus room and board. In reality, these can be viewed as "fixed" costs in the sense that the local aid officer cannot exert discretion over the dollar amounts he or she affixes to them. They are predetermined by the applicable institutional governing authority.

Developing Campus Based Budgets

In developing Campus Based budgets, institutions are again confronted with the existence of fixed costs. However, there is a great deal more freedom to supplement these fixed costs as the total budget is constructed. In fact, the financial aid officer may include a wide range of cost items in the budget including the anticipated expenses for tuition and fees; room (housing) and board (food)--which, for the purpose of this study, have been treated as a combined cost; transportation (commuting as well as home visitation costs); and other personal expenses including, but not limited to, books, medical, laundry, clothing, insurance, and recreation costs. The use of these items as the basis for budget preparation is derived from the Title IV regulations concerning the definition of "cost of education" as applied to the Campus Based aid programs. Section 176.11 reads:

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[3] Federal Register, Vol. 44, No. 18 - Thursday January 25, 1979.

> The amount required to enable a student to pursue his education at an institution of higher education includes amounts charged for tuition and fees, the amounts charged by the institution or the expenses reasonably incurred for room and board, books, supplies, transportation, miscellaneous personal expenses, and expenses related to maintenance of a student's dependents. In the case of a student engaged in a program of study by correspondence only, his costs of tuition and fees shall be recognized as a cost of education for the purpose of this part; provided, however, that travel and room and board costs incurred specifically in fulfillment of a required period of residential training may be considered a cost of education for such a student.[4]

Once the financial aid officer determines which categories of expenses he/she will allow for in the established standard, the next task is to assign specified costs to each item. The derivation of these costs figures, particularly the methodology employed, is an area of great controversy within the financial aid community. A financial aid officer must seek a balance between the realities of student circumstance, local market conditions, student desires and needs, and the usefulness of the resulting budget as a base for developing the aid package. Moreover, while it is true that every institution establishes some sort of standard student budget this does not necessarily mean that these schools adhere strictly to them. For some institutions the standard budgets provide a base from which to build realistic expense budgets, reflective of the life circumstances of individual students. In other cases, schools set out strict parameters within which adjustments to the budget may be applied.

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[4] 20 USC 1070b.

Measuring Student Costs

> Just as one would shop around for an automobile, a house, or a doctor's services, so too do families compare costs of attendance at several institutions under consideration. In order to encourage rational, informed choices, accurately measured and reported student expense budgets need to be provided to potential students and their families.[5]

Alan Wagner's emphasis, above, on the need for "accurate" student expense budgets is a theme that has been carried out in a number of discussions of budgeting practices. From these discussions have evolved some differing approaches to preparing student budgets. Wagner groups these approaches into three categories. "These are: (1) use of secondary sources; (2) use of a student survey; (3) use of student expense diaries."[6]

Secondary sources, which may include local living cost breakdowns compiled by the Bureau of Labor Statistics, the Department of Agriculture, or other local government agencies, may provide general keys as to the overall anticipated cost of living in a given locale. Many schools also rely on the publications provided by the American College Testing Program (ACT) and the College Scholarship Service (CSS) which estimate the costs of attendance.

The Midwest Association of Student Financial Aid Administrators Invitational Student Expense Budget Conference concluded that schools would be best-advised to utilize a number of data-gathering techniques in order to arrive at the most accurate budget totals. Specific recommendations included the conduct of a survey of student estimated expenses in order to get a handle on students' perceptions of their own cost of living. An even more exacting practice is to require students to maintain "student expense diaries." These diaries can provide a more detailed picture of actual student expenditures. The conference attendees caution, however, that the implementation of sophisticated techniques for expense data-gathering can be a costly and time-consuming project for the individual institution. No matter which method is chosen, schools must also recognize their responsibility to update the data before the start of each new academic year to reflect current economic trends.

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[5] Alan Wagner, Cutting the Coat to Fit the Cloth: Student Expense Budgets, (Washington, D.C.: College Entrance Examination Board, 1976), p. 8.

[6] Ibid., p. 22.

Wagner reminds his readers of the true scope of the debate surrounding the method of preparing student expense budget: "It is important to keep in mind that the real issue here is that these different methods (of obtaining cost data) can lead to different cost estimates for the same item."[7] This will be worth bearing in mind when considering the extent of the variance in the budget information provided by the institutions.

Budgeting Ethics and Equity

As will be seen in the results portion of this section, there exists a high degree of variation in the total budgets which institutions establish. This raises a number of issues concerning their utility. Are schools developing these budgets purely as a measure of student cost or are there other possible rationales for a particular mode of budget preparation? This issue is specifically addressed in the final report of the joint "Midwest Association of Student Financial Aid Administrators (MASFAA)/USOE Invitational Student Expense Budget Conference" held in April of 1976. In a section which considers the use of standardized student expense budgets, the authors warn:

> ... the process of budget construction may easily be used for purposes which do not serve the needs of students. For example, student budgets should not be established for manipulation or inconsistent purposes, such as rationing of funds, justifying large fund requests, showing that the full need of students has been met, or recruiting students by publishering misleading institutional costs. Rather, the aims of expense budgets should be to measure

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[7] Wagner, ibid., p. 22.

> educational costs accurately, to serve as devices for administering aid efficiently and responsibly, and to insure basic equity among members of a defined group.[8]

This report goes on to further address the question of equity in budget preparation. Their basic conclusion is that a system which allows for such a wide range of approaches to budget preparation leads, in turn, to broad variance in the actual budgets which are assigned to students. Moreover, under such an unbridled system, students cannot be guaranteed that they will receive equitable treatment no matter which postsecondary institution they choose to attend. As has been noted previously, the assigned budget is an integral factor in the determination of a student's "need" and, therefore, the amount of financial assistance that student may potentially receive.

In addition to consistency of treatment, there is another facet to the issue of equitable budgeting practices--that budgets should accurately reflect the costs which a student will be expected to bear during the academic year. The National Association of College and University Business Officers (NACUBO), in its publication, The Management of Student Financial Aid, stresses the point that "reasonable budgets are needed to calculate an accurate need figure for the student."[9] The comparison of calculated student expense budgets with the "actual" expenses incurred by students is a complex area of study. As can be deduced from the previous discussion of the methods used to determine specific cost items, there is no single, unimpeachable source which can provide the basis for such a comparison. Thus, the limited scope of this study will not permit it to pass judgment on the "reasonableness" of the specific cost items which comprise student budgets.

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[8] Midwest Association of Student Financial Aid Officers/United States Office of Education. Invitational Student Budget Conference: Working Papers, (Washington, D.C.: MASFAA/USOE, 1976), p. 5.

[9] National Association of College and University Business Offices, The Management of Student Aid (NACUBO: Washington, D.C., 1979), p. 31.

The use of the terminology to describe some of the phenomena associated with budgeting issues has been another topic of discussion. NASFAA has this to offer on the term "reasonable":

> As this discussion proceeds, it may become necessary to employ different words to connote the same meaning. This need arises, in part, out of the uses of the word "moderate" and the phrase "modest but adequate," which are not interchangeable even though they sound similar. Webster's New World Dictionary and Student Handbook provides for a choice of definitions which include the following: moderate ... reasonable or ordinary ... modest ... simple or reasonable ... not extreme ... The common demominator of these definitions is reasonable.[10]

Standard Budgets Adopted by Institutions

The figures contained in Table 4.B.1 are the average budget figures which institutions have established for three types of students. This table shows that 2-year public institutions and 4-year private institutions are the lowest cost schools and highest cost schools, respectively, for all three budget classifications. Furthermore, this table indicates that, by and large, institutions tend to be most frugal in their budgeting of students who depend upon their parents for support and housing and least frugal in their budgeting of students who live off-campus but apart from their parents.

Table 4.B.2 indicates that for the student living at home with his or her parents, the differences in student budgets across types of institutions are due to differences in the tuition and fees charged by the types of institutions. However, Table 4.B.2 leaves unanswered two questions. First, are there significant differences in the living cost components of budgets for students who do not live at home with their parents across insitution types? Second, within each institution type are there significant differences in the living cost components across living arrangements?

Table 4.B.3 reveals that 4-year public institutions assign less for room and board expenses for students who live at home with their parents than proprietary schools do. This table also shows that 4-year schools

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[10] NASFAA, ibid., p. VI.4.

TABLE 4.B.1: STUDENT BUDGET TOTALS FOR THREE STANDARD BUDGETS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

Type of Budget	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Basic 2,3/	3,521 (457)	2,517 (145)	4,645 (153)	2,414 (78)	3,651 (32)	3,977 (49)
On-Campus 4/	3,650 (379)	3,055 (139)	5,094 (157)	1,678 (35)	4,066 (25)	2,818 (24)
Off-Campus, Not with Parents 5/	4,239 (449)	3,339 (152)	5,412 (154)	3,178 (73)	4,083 (24)	4,599 (46)

1/ The number in parenthesis is the number of institutions reporting.

2/ Basic Budget: single, dependent, lives at home, full-time, nine months, state resident (if applicable to tuition); On-Campus; same as basic budget except that student lives in on-campus housing; Off-Campus, not with parents: same as basic budget except that student lives off-campus and does not live with parents.

3/ Basic

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	110,767,376	112.62	4-Year Public	F=341.10	-	F=33.26	F=70.33
Within Groups	446	983,579.8	(0.00)	4-Year Private		F=261.78	F=25.92	F=14.94
Total	450			2-Year Public			F=34.46	F=67.78

4/ On-Campus

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	128,301,904	99.12	4-Year Public	F=233.00	F=39.83	F=16.65	-
Within Groups	367	1,294,459	(0.00)	4-Year Private		F=251.97	F=17.60	F=71.01
Total	371			2-Year Public			F=63.49	F=12.64
				2-Year Private				F=13.38

5/ Off-Campus, Not with Parents

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	103,674,346	61.73	4-Year Public	F=191.19	-	-	F=29.83
Within Groups	433	1,679,429	(0.00)	4-Year Private		F=145.88	F=21.74	F=12.40
Total	437			2-Year Public			F= 8.81	F=18.05

TABLE 4.B.2: BASIC STUDENT BUDGETS (IN DOLLARS), BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

Basic Budget Components	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Tuition and Fees (For residents) 2/	1,548 (550)	686 (162)	2,791 (192)	408 (89)	1,811 (39)	1,672 (68)
Room and Board 3/	943 (466)	807 (146)	888 (154)	956 (81)	957 (33)	1,052 (52)
Transportation 4/	357 (466)	382 (146)	360 (154)	447 (81)	333 (33)	265 (52)
All Other	636 (466)	636 (146)	640 (154)	620 (81)	630 (33)	648 (52)
Budget Total 5/	3,521 (457)	2,517 (145)	4,645 (153)	2,414 (78)	3,651 (32)	3,977 (49)
Non-Resident Tuition Surcharge 6/	851 (231)	1,044 (154)	803 (3)	727 (72)	715 (2)	-

1/ The number of institutions reporting is given in parenthesis. Budget components will not sum exactly to budget totals due to rounding and missing data.

2/ Tuition and Fees

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	133,217,888	222.18	4-Year Public	F=539.41	-	F=66.11	F=70.81
Within Groups	537	599,590	(0.00)	4-Year Private		F=574.00	F=28.54	F=99.26
Total	541			2-Year Public			F=89.07	F=95.84

3/ Room and Board

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	644,228.94	2.72	4-Year Public	-	-	-	F=8.65
Within Groups	455	237,270.62	(0.03)					
Total	459							

TABLE 4.B.2 CONTINUED

4/ Transportation

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	266,886.31	5.25	4-Year Public	-	-	-	F= 9.33
Within Groups	455	50,847.29	(0.00)	4-Year Private		F=7.89	-	-
Total	459			2-Year Public			-	F=18.87

5/ Budget Total

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	110,767,376	112.62	4-Year Public	F=341.10	-	F=33.26	F=70.33
Within Groups	446	983,580	(0.00)	4-Year Private		F=261.78	F=25.92	F=14.94
Total	450			2-Year Public			F=34.46	F=67.78

6/ Non-Resident Tuition Surcharge

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private
Between Groups	3	1,419,490	7.05	4-Year Public	-	F=24.15	-
Within Groups	225	201,288	(0.00)				
Total	228						

TABLE 4.8.3: LIVING COSTS BY STUDENT TYPE, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

Budget Component	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Room and Board:						
Living at Home With Parents 2/	943 (466)	807 (146)	888 (154)	956 (81)	927 (33)	1052 (52)
Living On-Campus 3/	1,162 (197)	1,462 (140)	1,566 (158)	743 (37)	1,297 (26)	414 (26)
Living Off-Campus, Not with Parents	1,683 (459)	1,640 (154)	1,713 (155)	1,745 (76)	1,296 (25)	1,677 (49)
Transportion and Other Costs:						
Living at Home With Parents	993 (466)	1,019 (146)	1,000 (154)	1,066 (81)	962 (33)	912 (52)
Living On-Campus 4/	694 (387)	884 (140)	858 (158)	455 (37)	814 (26)	363 (26)
Living Off-Campus, Not with Parents	995 (459)	1,016 (154)	1,045 (155)	1,046 (76)	1,051 (25)	881 (49)

[1] The number of institutions reporting is given in parenthesis. Furthermore, the budget components and living arrangements are for state residents only.

2/ Room and Board, Living at Home with Parents

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	644,228.94	2.71	4-Year Public	-	-	-	F=8.65
Within Groups	455	237,270.62	(0.03)					
Total	459							

TABLE 4.B.3 CONTINUED

3/ Room and Board, Living On-Campus

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	10,553,123	43.06	4-Year Public	-	F=58.76	-	F=84.95
Within Groups	375	245,050	(0.00)	4-Year Private		F=79.04	-	F=104.50
Total	379			2-Year Public			F=18.26	-
				2-Year Private				F=37.25

4/ Transportation and Other Costs, Living On-Campus

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	2,529,161	13.17	4-Year Public	-	F=26.70	-	F=26.77
Within Groups	375	192,081	(0.00)	4-Year Private		F=24.22	-	F=24.62
Total	379			2-Year Public			F=9.82	-
				2-Year Private				F=12.42

and 2-year private institutions budget larger room and board allowances than do proprietary and 2-year public schools. It should be noted that the costs assigned for on-campus room and board are out of the control of the local aid officer. These are fixed costs, set by the institutional housing administrators and are not subject to the discretion of the aid officer. On-campus housing and food expense levels are similar to tuition and fee costs in that they are predetermined by institutional governing authorities. Additionally, a relatively small number of 2-year and proprietary institutions maintain dormitory facilities for their students, and those that do often offer only a limited number of spaces and reserve these for the most needy students; thus their costs may be artificially low.

Table 4.B.3 shows that the pattern of significant differences between institution types for costs assigned to room and board expenses for students living on-campus also applies to the amount that aid officers budget for transportation costs and other expenses for this same category of students.

Table 4.B.4 addresses the question of differences of living cost components across living arrangements, given an institution type. Note that in constructing this table, the sample is restricted to schools providing information on all three living arrangements. Therefore, there is no possibility of a bias being introduced by the presence of nonrespondents.

Table 4.B.4 indicates that with the exception of 2-year public institutions, aid offices budget less for room and board for students living at home with their parents than for students living on-campus. In addition, only 2-year private schools do not budget significantly more money for room and board for students living off-campus on their own than for students living at home with their parents. Finally, 4-year public, 2-year public, and proprietary institutions provide significantly higher room and board allowances for students living off-campus apart from their parents than for students living on-campus.

TABLE 4.B.4: LIVING COST BY STUDENT TYPE WHEN SAMPLE RESTRICTED TO INSTITUTIONS PROVIDING INFORMATION ON ALL LIVING ARRANGEMENTS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

Budget Component	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Room and Board: 2/						
Living at Home With Parents	860	803	861	951	897	832
Living On-Campus	1,125	1,448	1,580	721	1,266	354
Living Off-Campus, Not with Parents	1,567	1,575	1,639	1,544	1,196	1,542
Transportion And Other Costs: 3/						
Living at Home With Parents	957	1,014	965	1,016	980	842
Living On-Campus	680	876	874	420	876	332
Living Off-Campus, Not with Parents	924	992	1,020	924	978	689
Institutions Reporting	333	127	131	32	19	24

1/ The budget components and living arrangements are for state residents only.

2/ Room and Board: Significant differences at the 5 percent level.

All Schools	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	t= -4.72	t= -13.59
Living On-Campus		t= - 6.68

4-Year Public	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	t= -15.07	t= -14.74
Living On-Campus		t= - 2.98

TABLE 4.3.4   CONTINUED

4-Year Private	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	t= -13.52	t= -11.76

2-Year Public	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	-	t= -4.66
Living On-Campus		t= -3.62

2-Year Private	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	t= -2.38	-

Proprietary	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	t= 2.63	t= -2.80
Living On-Campus		t= -3.96

3/ Transportation and Other Costs: Significant differences at the 5 percent level.

All Schools	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	t= 5.84	-
Living On-Campus		t= - 6.00

TABLE 4.B.4 CONTINUED

4-Year Public	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	t= 6.52	-
Living On-Campus		t= - 5.58

4-Year Private	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	t= 4.40	-
Living On-Campus		t= - 2.90

2-Year Public	Living On-Campus	Living Off-Campus, Not with Parents
Living at Home With Parents	t = 5.86	-
Living On-Campus		t= -4.88

These significant differences in room and board allowances across types of living arrangements could lead the student, and his or her parents, to conclude that moving out of one's parents' home is quite a desirable option since it appears that the institution will provide financial aid to meet all of these costs, while they have placed a strict limit on the costs associated with maintaining that student at home.[11] Aid officers may be taking the view that the actual costs to the parent of maintaining a child while he or she attends a postsecondary school are limited, and not all that much above the costs which would normally be incurred by that family. For example, it is a contention that charges for rent, mortgage, utilities, or household support may not vary at all, or differ only slightly, due to the presence at home of one child.

Table 4.B.4 also indicates that with the exception of 2-year private institutions, all nonproprietary schools budget less money for transportation and other costs for a student living on-campus than for a student living off-campus, regardless of whether or not the latter lives with his or her parents. This indicates that aid officers are willing to take into account the cost of commuting to school if one lives off-campus. One suspects that in this era of rapidly rising gasoline prices, transportation costs will become an ever larger portion of the cost of education for off-campus students. It will be up to local aid office(r)s to monitor and react to such circumstances.

A more simplified approach to viewing the components of each budget is to examine the proportion of a budget which is comprised of living costs. Table 4.B.5 presents these percentages, including both state and out-of-state residents. These figures represent the percentage of the student's total cost which is spent on his or her personal support. The remaining percentage is returned directly to the institutions in the form of tuition and fees. Thus, it appears that students at 4-year private schools, regardless of how they are financing their education, are able to utilize a significantly smaller percentage of their aid for living

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[11] This, of course, assumes that the school will package aid to meet the full cost--an issue which will be addressed in Chapter 5.

TABLE 4.B.5: LIVING COSTS AS A PERCENT OF BUDGET, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

Type of Budget	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
State Resident:						
Basic 2/	60.6 (475)	73.4 (145)	41.4 (153)	83.4 (78)	53.8 (32)	52.2 (49)
On-Campus 3/	48.4 (379)	75.7 (138)	48.3 (157)	48.8 (35)	53.1 (25)	17.3 (24)
Off-Campus, 4/	65.4 (449)	79.6 (152)	50.3 (154)	84.1 (73)	56.7 (24)	55.6 (46)
Out-of-State Resident:						
Basic 5/	N/A	49.8 (107)	N/A	58.6 (51)	N/A	N/A
On-Campus 6/	N/A	55.3 (132)	N/A	42.1 (30)	N/A	N/A
Off-Campus 7/	N/A	61.1 (142)	N/A	67.7 (62)	N/A	N/A

1/ The number of institutions reporting is given in parenthesis.

2/ State Resident, Basic

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	31,451.19	187.22	4-Year Public	F=452.09	F= 29.89	F= 58.23	F=86.71
Within Groups	446	167.99	(0.00)	4-Year Private		F=543.12	F= 23.65	F= 23.01
Total	450			2-Year Public			F=115.46	F=157.75

3/ State Resident, On-Campus

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	23,295.66	67.97	4-Year Public	F=159.92	F=57.57	F=31.45	F=170.89
Within Groups	367	342.72	(0.00)	4-Year Private		-	-	F= 48.17
Total	371			2-Year Public			-	F= 35.38
				2-Year Private				F= 40.58

TABLE 4.B.5 CONTINUED

4/ State Resident, Off-Campus

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	24,255.10	106.74	4-Year Public	F=203.50	-	F=47.89	F=80.21
Within Groups	433	227.32	(0.00)	4-Year Private		F=257.86	-	-
Total	437			2-Year Public			F=62.90	F=97.16

5/ Out-of-State Resident, Basic

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	2,688.07	7.41
Within Groups	159	362.72	(0.01)
Total	160		

6/ Out-of-State Resident, On-Campus

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	6,312.89	17.83
Within Groups	156	354.03	(0.00)
Total	157		

7/ Out-of-State Resident, Off-Campus

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	1,861.15	9.70
Within Groups	201	191.63	(0.00)
Total	202		

expenses than their counterparts at public institutions. The high cost of tuition at privately controlled institutions results in their receipt of a larger portion of the aid awarded to students and, in turn, makes it inevitable that these schools will receive a disproportionate share of the total appropriation of financial aid dollars.[12]

Adjustments to Standard Budgets

Married Students with Dependents

In response to an inquiry as to how they treat the budgets of married students with dependents, slightly under 65 percent of all institutions responded that they made additions to the standard budget total. However, this percentage was not uniform across institution types. Significantly higher percentages of 2-year private (53.6 percent) and proprietary (63.3 percent) institutions responded that they did not make budget adjustments for married students with children than did 4-year public (8.5 percent), 4-year private (31.1 percent) and 2-year public (18.2 percent) institutions. Table 4.8.6 examines the dollar adjustments which schools make to allow for the support of one dependent.

Note, that for most institution types the largest percentage of dollar adjustments falls in the range between $700 and $850. It is probably not a matter of coincidence that the standard Federal Internal Revenue Service deduction for additional dependents for the 1977 tax year ($750) also falls in this range.

Married Students with a Student Spouse

Slightly over 60 percent of all participating institutions do not make budget adjustments for students with a student spouse. However, as in the case of married students with children, there are significant differences in this percentage across institution types. A significantly

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[12] Applied Management Sciences, Study of Program Management Procedures in the Campus Based and Basic Grant Programs. Final Report, Volume II, (Silver Spring, MD., May 1980), pp. 5.12-5.14.

TABLE 4.B.6: PERCENT OF INSTITUTIONS EMPLOYING SPECIFIC BUDGET ADJUSTMENTS FOR MARRIED STUDENTS WITH CHILDREN, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

Adjustment (Amount Per Child)	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
$0 2/	37.1	8.5	31.1	18.2	53.6	63.3
$1-499	5.4	6.3	6.7	6.3	0.0	4.2
$500-699	8.7	14.9	8.4	10.7	3.2	5.9
$700-849 3/	21.5	36.9	15.8	29.9	18.9	13.9
$800-999	6.2	8.9	8.3	10.8	2.8	0.9
$1,000-1,249	15.4	18.8	19.0	19.5	18.3	8.4
$1,250 and Over	5.8	5.7	10.6	4.7	3.2	3.5
Institutions Reporting	509	159	163	86	32	69

1/ Column sums may not equal to 100 percent due to rounding.

2/ $0

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	4.27	25.61	4-Year Public	F=25.12	-	F=32.46	F=81.93
Within Groups	500	0.17	(0.00)	4-Year Private		-	F= 7.97	F=28.21
Total	504			2-Year Public			F=17.48	F=44.65

3/ $700-849

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.19	6.64	4-Year Public	F=19.96	-	-	F=13.53
Within Groups	500	0.18	(0.00)					
Total	504							

TABLE 4.3.7: PERCENT OF INSTITUTIONS EMPLOYING SPECIFIC BUDGET ADJUSTMENTS FOR MARRIED STUDENTS WITH A STUDENT SPOUSE, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
Adjustment	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
\$0 2/	60.8	33.3	56.0	37.0	77.2	88.6
\$1-499	3.1	2.8	2.2	5.9	0.0	2.4
\$500-699 3/	3.0	8.7	1.1	6.7	0.0	0.0
\$700-849 4/	2.6	10.5	0.6	3.8	3.3	0.0
\$800-999 5/	2.2	6.1	0.0	5.7	0.0	0.0
\$1,000-1,249	4.5	4.8	5.3	10.4	3.3	0.0
\$1,250 and Over 5/	23.8	33.9	34.9	30.5	16.2	9.0
Institutions Reporting	446	136	140	77	31	62

1/ Column sums may not equal 100 percent due to rounding.

2/ \$0

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	4.10	18.99	4-Year Public	F=16.58	-	F=22.51	F=56.99
Within Groups	440	0.22	(0.00)	4-Year Private		F=8.30	-	F=20.17
Total	444			2-Year Public			F=16.49	F=40.40

3/ \$500-699

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.15	F=3.94	4-Year Public	F=10.25	-	-	F=7.79
Within Groups	440	0.04	0.00					
Total	444							

TABLE 4.B.7 CONTINUED

4/ $700-849

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.21	5.22	4-Year Public	F=17.18	-	-	F=11.10
Within Groups	440	0.04	(0.00)					
Total	444							

5/ $800-999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.10	3.61	4-Year Public	F= 9.48	-	-	-
Within Groups	440	0.03	(0.01)					
Total	444							

6/ $1,250 and Over

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.91	4.55	4-Year Public	-	-	-	F=12.47
Within Groups	440	0.20	(0.00)	4-Year Private		-	-	F=13.62
Total	444							

higher percentage of proprietary schools (88.6 percent) do not make adjustments for students with a student spouse than the percentages of 4-year public (33.3 percent), 4-year private (56.0 percent), and 2-year public (37.0 percent) institutions. In addition, the percentages of private institutions which do not make adjustments to the budgets of a student with a husband or wife who is also a student are significantly higher than the percentages of public institutions not making such adjustments. Similarly, the percentages of 4-year public (33.9 percent) and 4-year private (34.9 percent) schools which make budget adjustments of $1,250 or more for these types of students is significantly higher than the percentage of proprietary institutions (9.0 percent) which make adjustments of similar dollar magnitudes for students with a student spouse.

Other Budget Adjustments

One of the sub-groups which comprises the nontraditional student population is the "part-time" student. Part-time students are rapidly becoming the most significant minority, and, in many cases, the majority of the student bodies, at a growing number of institutions. The Federal government maintains no hard and fast definition for part-time status. Each institution is virtually free to establish its own regulations regarding part-time status. Normally, schools establish a required number of credits per semester (e.g., 12 or 15) for students to qualify as full-time. Students who take less than these requirements are considered to be part-time. The government has established a course load floor, below which it will not recognize students as being eligible for aid--"half-time or more." At a school which requires a student to take a minimum of twelve credits to be considered full-time, for example, a student would have to take six credits or more in order to be considered eligible for aid.

The majority of institutions surveyed take into account the special circumstances of part-time students in the assignment of budget totals. Furthermore, 61.8 percent of the financial aid office(r)s prorate the budget in accordance with the course load carried by the student.

TABLE 4.B.8: PERCENT OF INSTITUTIONS WHICH MAKE BUDGET ADJUSTMENTS FOR THE FOLLOWING, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

Adjustment	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Part-time Students:						
Do Not Adjust 2/	26.7 (519)	20.8 (161)	16.0 (178)	24.7 (86)	18.3 (37)	42.1 (57)
Prorated Adjustment	61.8 (519)	62.8 (161)	70.8 (178)	63.4 (86)	70.5 (37)	50.5 (57)
Non-Prorated Adjustment	11.5 (519)	16.4 (161)	13.2 (178)	11.9 (86)	11.2 (37)	7.3 (57)
Higher Costs of Books and Supplies In Academic Program 3/	50.5 (530)	71.6 (161)	45.4 (188)	72.3 (88)	32.2 (37)	28.8 (56)
Special Academic Program Costs (e.g., Equipment, Field Trips) 4/	42.6 (537)	57.7 (162)	48.1 (189)	56.0 (88)	31.3 (39)	21.3 (59)
Other Educationally Related Expenses (e.g., Higher Commuting Costs) 5/	52.5 (543)	67.1 (162)	59.6 (190)	60.6 (88)	46.5 (39)	34.8 (64)
Other Expenses (e.g., Health Care, Child Care) 6/	59.6 (548)	77.2 (163)	59.6 (194)	73.5 (88)	50.1 (38)	43.1 (65)

1/ The number of institutions reporting is given in parenthesis.

2/ Do Not Adjust

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.52	3.22	4-Year Public	-	-	-	F=11.01
Within Groups	514	0.16	(0.01)	4-Year Private		-	-	F=17.03
Total	518							

3/ Higher Costs of Books and Supplies in an Academic Program

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3.52	15.86	4-Year Public	F=26.46	-	F=20.88	F=31.25
Within Groups	519	0.22	(0.00)	4-Year Private		F=19.44	-	-
Total	523			2-Year Public			F=18.78	F=27.08

TABLE 4.B.8 CONTINUED

4/ Special Academic Program Costs

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.76	7.35	4-Year Public	-	-	F= 9.16	F=22.35
Within Groups	526	0.24	(0.00)	4-Year Private		-	-	F=12.55
Total	530			2-Year Public			-	F=16.83

5/ Other Educationally Related Expenses

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.83	3.42	4-Year Public	-	-	-	F=19.06
Within Groups	536	0.22	(0.00)	4-Year Private		-	-	F=11.70
Total	540			2-Year Public				F= 9.99

6/ Other Expenses

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.83	8.42	4-Year Public	F=12.57	-	F=10.41	F=23.16
Within Groups	536	0.22	(0.00)	2-Year Public	-		-	F=15.06
Total	540							

Institutions which prorate part-time student budgets are, in a sense, equating the level of support which they should be required to provide the student with the level of commitment which that student has been able to make to his or her education. Schools which allow part-time students to be budgeted for the full cost of their education are not making a distinction between members of the student population on the basis of full-time versus part-time student status and are recognizing that part-time students still have full-time living expenses.

Many aid offices indicated that there are a number of student-related expenses which will prompt them to adjust standard student budgets. Significantly higher percentages of 4-year public (71.6 percent) and 2-year public (72.3 percent) institutions adjust budgets for the higher costs of books and supplies for specific academic programs than do 4-year private (45.4 percent), 2-year private (32.2 percent) and proprietary (28.8 percent) schools. A significantly lower percentage of proprietary institutions (21.3 percent) adjust a student's budget for special academic program costs than do 4-year public (57.7 percent), 4-year private (48.1 percent) and 2-year public (56.0 percent) institutions. The specialized programs offered by proprietary institutions, smaller average size of private schools, and the already high totals budgets due to the tuition costs at these schools[13] may all act to preclude such budget adjustments.

Significantly higher percentages of the aid offices at 4-year public (67.1 percent), 4-year private (59.6 percent), and 2-year public (60.6 percent) institutions adjust student budgets for "other educationally related expenses," (e.g., unusually high transportation costs, child care), than do proprietary institutions (34.8 percent). Slightly less than 60 percent of all schools adjust student budgets for other expenses although the percentages of 4-year private (59.6 percent), 2-year private (50.1 percent), and proprietary (43.1 percent) institutions which do so is significantly lower than the percentage of 4-year public (77.2 percent) schools, indicating that 4-year public institutions may be slightly more responsive to the individual needs of students.

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[13] See Chapter 2, Table 2.B.1.

C. ESTIMATION OF THE FINANCIAL RESOURCES OF THE AID APPLICANT

Application for Aid

The determination of the student's expected total family contribution is a process which has been subject to intensive review and revision by the U.S. Office of Education as well as by the financial aid community in general. The student and/or his or her family begin the need analysis process by completing financial aid application forms. Individual institutions may require students to complete any number or combination of aid applications supplied by private need analysis services, BEOG, states, foundations, other government agencies, or the institution itself. The choice of forms that an institution requires aid applicants to complete will largely be a function of the type of aid programs offered by the school. For example, institutions which participate only in the Basic Grant program will have no use for any applications other than the BEOG form.

The Basic Grant Program has a unique need analysis methodology. Students applying for a Basic Grant must have the application processed directly by the U.S. Office of Education (USOE) and may apply by completing a special Basic Grant Application Form. For the past few years, USOE has been processing Basic Grant applications from information abstracted from financial aid forms submitted to the College Scholarship Service (CSS), the American College Testing Program (ACT), and the Pennsylvania Higher Education Assistance Administration. A student who completes either the CSS Financial Aid Form (FAF) or ACT Family Financial Statement (FFS)--the most commonly used forms--may, by checking the appropriate box, automatically apply for a Basic Grant award. This is known as the "Multiple Data Entry System."

Most institutions rely on the CSS/FAF or ACT/FFS to calculate student eligibility for them. The FAF or FFS is returned to the school in the form of a "need analysis report" (NAR). This report details the student's expected total family contribution and estimates his or her eligibility for BEOG. Although both ACT and CSS operate roughly under the same guidelines for need analysis, they employ different application forms. Basic Grant eligibility is computed according to strict Federal regulation (see the Federal Register 7/26/79, Part V, Department of Health, Education and Welfare--45 CRF Part 190). Students receive a Student Eligibility Report (SER) by mail directly from BEOG. The SER notifies the student of his or her status with respect to BEOG eligibility. Eligible students then bring the SER to their school's financial aid office, where an aid officer then sets the BEOG award level according to the USOE-published BEOG payment schedule. This schedule considers the student's cost of education, full- or part-time status, Student Eligibility Index, and the half-cost limitation. The half-cost limitation sets the maximum BEOG award at no more than one-half of the student's total cost of attendance--the BEOG budget. The Student Eligibility Index (SEI) is the calculated number, printed on the SER by the USOE application processor, which identifies the degree of the student's need, in accordance with the BEOG methodology. The student's Basic Grant award is inversely related to the size of the student's SEI. A student with an SEI of zero ("0") is eligible for the maximum Basic Grant award, while a student whose SEI is over 1,600 (for the 1978-79 academic year) is deemed ineligible to receive a BEOG.[14] The budgeting procedure to be employed in calculating Basic Grant awards is also specified by statute (see Section A of this chapter).

Family Contribution

For the financial aid officer, the key to judging the need of an individual student, relative to other applicants for aid, is that student's calculated Expected Family Contribution (EFC). In their attempts to allocate a limited pool of financial aid resources, many schools use the EFC as a means of ranking students with respect to need--the lower the EFC, the needier the student is considered to be.

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[14] For 1979-80, the maximum Basic Grant was raised from $1,600 to $1,800. As such, students assigned SEIs ranging from zero to 1,800 were eligible to receive BEOG awards. For 1980-81 the maximum BEOG award was reduced to $1,750.

When schools receive the appropriate need analysis report, they are given the opportunity to review the calculated EFC and adjust it as they deem necessary (20 USC 107062(a)(2); 45 CRF 176.12(c), 186.12(f)). This may be done in cases where the financial aid officer believes that the student is experiencing "unusual circumstances" (CSS, ACT, and a number of other aid applications allow students to document such circumstances). For students who file as dependents, the bulk of the EFC is generally comprised of "parental contribution" (PC) since their parents are, in most cases, the prime sources of support. This portion of the EFC has colloquially been referred to as the "parents' fair share" contribution to a dependent's education. Thus, for students who file as dependents, this adjustment is usually incorporated in the parental contribution (PC) segment of the EFC.

Benchmark Figures

In order for a specific need analysis system to be considered as an appropriate means for computing student eligibility for Campus Based assistance it must conform to standards established by USOE. These standards are contained in the "benchmark figures" published yearly in the Federal Register by the Commissioner of Education. Benchmark figures are comprised of sample cases of student aid applicants and their resulting expected family contributions. Need analysis systems which seek USOE certification must calculate family contributions within $50 of the USOE benchmarks in a majority of cases. In this manner, USOE maintains consistency in need analysis without assuming direct control of the assessment of student eligibility for Campus Based funding.

Need Analysis Formulas

The term "need analysis," itself, reflects some of the confusion surrounding this process. As was outlined in the introduction to this chapter, a calculation of the expected family contribution is only one facet of the process of determining a student's level of need. Students, financial aid officers, USOE, and the Congress have all, at one time or another, expressed dissatisfaction with the computation formulas that comprise the basis for arriving at expected family contribution levels.

As part of the hearings on the Reauthorization of the Higher Education Act held in May 1979, Constance White, Director of Undergraduate Financial Aid at Yale University, offered the following thoughts on the issue of adherence to the calculated family contribution:

> It must be realized that the contributions calculated by the major financial aid services provide a consistent and equitable calculation applied to information submitted on the need analysis input documents. *The resulting contributions should be considered as reliable recommendations but only as recommendations.* They are a guide to judgment but not a substitute for the review and appropriate adjustment by knowledgeable financial aid administrators.
>
> The information submitted to the financial aid services is frequently supplemented by documents submitted directly to the financial aid office. In addition, the aid administrator may request clarification of the initial data submitted or a tax return in support of the application. The need analysis system serves a variety of institutions and agencies and provides contribution figures on a wide range of students and their families. *Only through careful review by financial aid administrators can the complexities faced by individual students and their families be incorporated into the final contribution figures.* (Emphasis added.)15/

Ms. White raised the concern that the financial information from which the expected family contribution is derived may not always be pertinent to the situation of every student in every possible circumstance. In the case of independent students, it has been argued by others that basing the student's contribution on his or her income from the prior year is not a valid means of assessing a student's ability to contribute while enrolled in a postsecondary institution. At these same hearings, Joel Packer, then the Legislative Director of the United States Student Association, explained to William Ford, Chairman of the House of Representatives' Education and Labor Subcommittee on Postsecondary Education, that independent students who have "stopped out" of school and worked full-time for a year or more are being asked to contribute

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15/Constance White, "Overview of the Need Analysis System and Uniform Methodology," in the U.S. Congress, House, Committee on Education and Labor. Hearings on the Reauthorization of the Higher Education Act. Washington, D.C., May 1979, Volume 3, p. 119.

financially to their education and support based on earnings which they will, most likely, not be able to duplicate while enrolled full-time in a postsecondary institution. Mr. Packer and other student advocates asked, at the time, that

> . . . the student aid officer in the institution be given the ability to determine whether, in fact, the previous year's earnings was related to what the present year's earnings would be.[16]

Latter portions of this chapter outline the information which institutions provided on the frequency of adjustments made to calculated family and parental contributions.

Applications for Aid

The USOE is concerned with maintaining a certain level of consistent practice and equitable treatment of students among the great number of institutions which participate in the Federally sponsored aid programs. One component of this effort has centered on the forms which students are required to file when applying for aid. Currently, USOE, in cooperation with others in the financial aid community, is working towards adoption of a "common form" in an attempt to further standardize the need analysis process.

ACT and CSS have worked closely with USOE in this effort to develop a common need analysis system. For the 1980-81 academic year, BEOG, ACT, and CSS are employing a simplified aid application form to remove some of the mysteries of the application process. The ACT and CSS versions of the aid application will also be more similar than in the past.

Computing Eligibility

A student's financial condition will be subjected to several need analyses depending on the types of aid for which he or she applies. USOE prefers that eligibility for the Campus Based programs be computed in accordance with a uniform methodology.

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[16] U.S. Congress, House Committee on Education and Labor, Hearings on the Reauthorization of the Higher Education Act. Washington, D.C., May 1979, Volume 4, p. 95.

USOE has taken steps to standardize the need analysis procedures as applied to the Campus Based programs. The establishment of a "uniform methodology," by which privately operated need analysis services calculate student need, was prompted by suggestions made by the Keppel panel and others. In this manner, USOE has moved towards ensuring that students receive equitable treatment in the assessment of their eligibility for the Campus Based programs. The components of this assessment process have also come under public scrutiny. A most common topic of discussion has been the amount of the asset protection allowance. Whether a family should be expected to draw liquid resources from nonliquid assets (e.g., homes, farms, businesses, machinery) is a question being raised by many aid officers, as well as by aid applicants. USOE and the Congress are seeking to strike a balance between the two sides by attempting to arrive at a compromise contribution which can be expected to be borne by the student and/or his or her family. Another point of controversy has been the treatment of independent students with regard to the calculation of their need. Some institutions are wary of the legitimacy of some students' claims to independent status and request the submission of parental income data from these students as if they were dependents. Others will request additional documentation of data reported by independent students. At the other end of the spectrum, certain institutions take special steps to adjust the contribution expected from independent students, feeling that they are more prone to be placed in exceptional financial circumstances. Other facets of need assessment, such as allowances for other members of the family enrolled in postsecondary institutions, consideration of social security income as a resource, and the percentage of nontaxable income used towards a student's education, have been, and are currently being, debated by students, aid officers, and government officials.

Use of Need Analysis Systems

Although there are many need analysis systems, Table 4.C.1 clearly indicates that institutions are most likely to rely on one of three services. These are Basic Grant, the College Scholarship Service; and

TABLE 4.C.1: PERCENT OF NEED ANALYSIS SYSTEMS IN USE, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

Need Analysis System	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
College Scholarship Service 2/	65.2	81.0	91.8	69.8	80.2	35.9
American College Testing Service 3/	36.3	42.9	53.9	44.5	56.3	13.9
Basic Grant Appliction 4/	44.5	16.4	29.6	32.0	60.0	70.3
Other	8.9	4.6	9.5	6.2	5.1	12.2
Institutions Reporting	733	212	250	112	55	104

1/ Columns will total more than 100 percent due to the number of institutions which employ multiple need analysis services.

2/ College Scholarship Service

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	5.66	38.46	4-Year Public	F=9.04	-	-	F=91.19
Within Groups	721	0.15	(0.00)	4-Year Private		F=25.27	-	F=146.93
Total	725			2-Year Public			-	F=40.36
				2-Year Private				F=46.53

3/ American College Testing Service

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3.01	13.00	4-Year Public	-	-	-	F=24.01
Within Groups	721	0.23	(0.00)	4-Year Private		-	-	F=47.94
Total	725			2-Year Public			-	F=20.86
				2-Year Private				F=27.18

TABLE 4.C.1 CONTINUED

4/ Basic Grant Application

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	5.89	30.60	4-Year Public	F=10.39	F=9.86	F=43.26	F=100.01
Within Groups	721	0.19	(0.00)	4-Year Private		-	F=21.73	F= 59.89
Total	725			2-Year Public			F=15.03	F= 39.41

the American College Testing Program. Furthermore, the number of multiple responses indicates that many institutions will recognize need analyses computed by more than one service.

Table 4.C.1 also elaborates on the distribution in use of these most commonly employed need analysis systems. A lower percentage of proprietary (35.9 percent) institutions use the College Scholarship Service's financial aid services than do the other types of institutions. In addition, this same system is used at a lower percentage of 2-year public (69.8 percent) institutions than it is at 4-year public (81.0 percent) and 4-year private (91.8 percent) schools. The American College Testing Service's Family Financial Statement is utilized by 36.3 percent of all schools, but again, a significantly lower percentage of proprietary (13.9 percent) institutions use this system than do other types of institutions. A significantly higher percentage of proprietary (70.3 percent) institutions rely upon the Basic Grant application and the Student Eligibility Report (SER) than do 4-year public (16.4 percent), 4-year private (29.6 percent) and 2-year public (32.0 percent) schools. This is due to the number of proprietary institutions which do not participate in the Campus Based aid programs and, therefore, do not need the more sophisticated computations provided by the private need analysis services. The use of "other" need analysis systems is most common among proprietary schools.

Adjusting the Expected Contribution

Table 4.C.2 presents data on the proportion of institutions which adjust the parental contribution portion of the calculated EFC. Of the institutions responding to this inquiry, almost 90 percent indicate that they routinely adjust some portion of the calculated parental contributions. However, significantly higher percentages of 2-year private (27.0 percent) and proprietary (24.3 percent) schools state that they do not adjust the calculated parental contributions than the percentages of 4-year public (3.0 percent), 4-year private (4.3 percent), and 2-year public (7.3 percent) institutions which do not adjust these calculations.

TABLE 4.C.2: PERCENT OF ESTIMATED PARENTAL CONTRIBUTIONS REQUIRING ADJUSTMENT, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Did Not Adjust 2/	11.4	3.0	4.3	7.3	27.0	24.3
1-5	35.5	29.8	35.3	42.4	38.2	31.8
6-10	25.6	25.2	22.9	26.1	15.6	30.2
11-15	5.0	6.5	6.9	4.9	2.8	2.5
16-20	6.1	8.4	7.9	4.6	10.8	3.3
21-25	3.2	3.1	4.4	5.5	2.8	0.0
26-30	2.3	3.8	3.9	2.4	0.0	0.0
31 and Over 3/	10.9	20.1	14.2	6.8	2.8	7.9
Institutions Reporting	535	166	189	88	37	55

1/ Column sums may not equal 100 percent due to rounding.

2/ Did Not Adjust

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.82	12.33	4-Year Public	-	-	F=26.09	F=24.84
Within Groups	520	0.07	(0.00)	4-Year Private		-	F=23.98	F=22.62
Total	524			2-Year Public			F=15.16	F=13.26

3/ 31 And Over

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.42	3.73	4-Year Public	-	F=8.93	F=7.92	-
Within Groups	520	0.11	(0.01)					
Total	530							

TABLE 4.C.3: PERCENT OF INSTITUTIONS USING SPECIFIED PROCEDURES FOR ESTIMATING INCOMES OF INDEPENDENT (SELF-SUPPORTING) UNDERGRADUATE STUDENTS, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

Estimation Procedure	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Student's Income Is Treated as the Family Income	96.0	97.3	94.7	99.1	94.8	94.0
Need Is Calculated On the Basis of Parental Financial Income [2]	2.9	0.0	2.6	0.9	5.2	6.0
Other	1.1	2.8	2.8	0.0	0.0	0.0
Institutions Reporting	536	166	184	89	37	60

[1] Column sums may not equal to 100 percent due to rounding.

[2] Parental Financial Income

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	4	0.05	2.62
Within Groups	523	0.02	(0.03)
Total	527		

Of the schools which do routinely adjust some portion of the calculated parental contributions:

- 40.1 percent adjust less than five percent of calculated PCs;
- 69.0 percent adjust less than ten percent of calculated PCs; and
- 85.1 percent adjust less than twenty-five percent of calculated PCs.

Estimation of Independent Students' Income

Table 4.C.3 indicates that almost all (96.0 percent) institutions treat an independent student's income as the family income. Furthermore, there are no significant differences across institution types in the percentage of institutions treating an independent student's income as the family income.

D. VERIFICATION OF DATA REPORTED BY APPLICANTS

As the scope of Federal financial aid programs has grown over the years, the U.S. Office of Education has become increasingly aware of the need to detect and correct program abuses. During the 1975-76 academic year, USOE sponsored a validation study to assess the extent of misreporting on Basic Grant applications. In part, this effort was designed to identify the extent of program abuses. The results indicated that 18.5 percent of the Basic Grant applicants had incorrectly reported income data. However, the majority of these inaccuracies resulted from ignorance of the regulations or carelessness on the applicant's part. Only 10 to 20 percent of the errors were attributed to deliberate misreporting.[17/]

With cooperation from USOE, private need analysis services, and educational institutions, validation systems were developed to verify the veracity of the financial information furnished by parents and students. Different methods of validation are used for both the Basic Grant and Campus Based programs, and these are outlined in this section.

[17/] Applied Management Sciences. Validation of Student and Parent Reported Data on the Basic Grant Application Form. (Silver Spring, MD: January, 1977)

Validation of BEOG Applications

There are three basic methods by which BEOG applicants are selected for validation. They are as follows:

1) Institutional referrals: Questionable cases are referred to the Office of Education when an institution cannot resolve them alone;
2) USOE referrals: Suspicious cases are identified for the Office of Education by its processing contractor;
3) Pre-established criteria cases: Applications containing data that are indicative of misreporting are automatically flagged for validation.

Table 4.D.1 presents the number of BEOG validations performed via each of the above methods for the years 1975 through 1978. (These data were compiled by Applied Management Sciences for an earlier study on BEOG validations.)

TABLE 4.D.1: NUMBER OF STUDENTS SELECTED FOR BEOG VALIDATION VIA VARIOUS SELECTION METHODS: ACADEMIC YEARS 1975-78

	Academic Year		
	1975-76	1976-77	1977-78
Institutional Referrals	700	900	1,000[1]
USOE/ACT Referrals[2]	--	--	1,400[1]
Pre-Established Criteria	1,200	6,000	8,000

Source: Applied Management Sciences. Validation of Student and Parent Reported Data on the Basic Grant Application Form. (Silver Spring, MD: July 1978), p. 12.

[1] Anticipated.

[2] Included with Institutional Referrals prior to 1977-78.

All three types of validation selection procedures result in sending students and parents an initial letter identifying the data items for which they must supply documentation. Such documentation may take the form of Federal Income Tax Forms (1040 or 1040A), W-2 forms, or notarized statements.

Institutional Validation Procedures

BEOG validations may also be performed by institutional aid offices. Most institutional validation procedures involve source documentation of the reported data. Tables 4.D.2 and 4.D.3 present data collected from the institutions in this study, detailing the percentage of institutions that utilize the most common validation practices.

The data presented in Tables 4.D.2 and 4.D.3 indicate that BEOG validation is becoming a progressively more common as well as a more detailed practice. Validations were performed at a higher rate during the 1978-79 academic year as compared to that of 1977-78. The greatest increases in the validation of specific items occurred in relation to income sources (both taxable and nontaxable) and dependency status. In practice, these are the factors which will potentially have the greatest bearing on the resulting Student Eligibility Index (SEI).

As of the 1978-79 academic year 6.6 percent of the institutions reported that they do not validate BEOG applications. While this is a marked improvement over the 22.4 percent which did not validate for the 1977-78 period, it is still a rather high level of deviation from USOE standards of practice.

If the validation of a student's application reveals the presence of invalid data, various methods can be employed by institutions to correct this information. As indicated in Tables 4.D.4 and 4.D.5 the most common means used is the personal interview. By sitting down with the student on a one-to-one basis, the aid officer can attempt to correct all questionable data. This procedure can best ensure that the student's BEOG award is processed without undue delay and that the aid office does not inadvertently overaward the student. Some institutions rely on USOE

TABLE 4.D.2: PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO VALIDATE BEOG APPLICATION DATA, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
BEOG Applications Are Not Validated [2]	22.4	12.5	17.2	21.4	23.3	31.2
BEOG Applications Are Validated	77.6	87.5	82.8	78.6	76.7	68.8
Institutions Reporting	562	168	194	90	39	71
Procedures Used By Institutions Which do Validate BEOG Applications:						
Compare BEOG Applications With other Financial Aid Information Submitted by Students [3]	81.9	93.0	87.1	86.2	93.6	66.0
Documentation Such as IRS 1040 Form is Requested From Students	64.7	68.3	65.1	63.7	46.8	66.4
Statements of Non-Taxable Income are Requested from Students [4]	45.2	50.4	31.4	52.1	34.0	52.3
Documentation of Dependency Status Is Requested [5]	45.6	66.8	44.5	45.1	43.9	36.6
Use HEW Validation handbook	1.4	2.6	0.5	3.8	0.0	0.0
School is on The Alternate Disbursement System	0.4	0.5	1.2	0.0	0.0	0.0
Other	1.8	0.5	0.6	3.1	3.7	2.2
Institutions Reporting	460	147	160	70	30	53

[1] Percentages reflect the multiple response potential of the question.

[2] BEOG Applications are Not Validated

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.46	3.11	4-Year Public	-	-	-	F=10.98
Within Groups	548	0.15	(0.01)					
Total	552							

TABLE 4.D.2 CONTINUED

3/ Comparison of BEOG Applications with other Financial Aid Information

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.6595	6.16	4-Year Public	-	-	-	F=22.99
Within Groups	446	0.1071	(0.00)	4-Year Private		-	-	F=14.37
				2-Year Public			-	F=10.32
				2-Year Private				F=12.43
Total	450							

4/ Statements of Non-Taxable Income are Requested from Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.04	4.38	4-Year Public	F=11.55	-	-	-
Within Groups	446	0.24	(0.00)	4-Year Private		F=8.81	-	-
Total	450							

5/ Documentation of Dependency Status is Requested from Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.41	5.88	4-Year Public	F=15.81	F=9.27	-	F=12.87
Within Groups	446	0.24	(0.00)					
Total	450							

TABLE 4.D.3: PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO VALIDATE BEOG APPLICATION DATA, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
BEOG Applications Are Not Validated 2/	6.6	1.1	2.8	7.9	12.5	9.8
BEOG Applications Are Validated	93.4	98.9	97.2	92.1	87.5	90.2
Institutions Reporting	563	172	191	84	40	71
Procedures Used By Institutions Which Do Validate BEOG Applications:						
Compare BEOG Applications With other Financial Aid Information Submitted by Students 3/	77.2	85.2	88.7	77.9	92.0	66.2
Documentation Such as IRS 1040 Form is Requested From Students	81.2	87.3	86.1	80.4	74.0	76.3
Statements of Non-Taxable Income are Requested from Students 4/	63.3	71.5	56.2	63.9	57.2	66.1
Documentation of Dependency Status Is Requested 5/	57.1	77.0	62.9	58.5	59.7	42.8
Use HEW Validation handbook	2.0	3.7	1.0	3.3	2.5	1.1
School is on The Alternate Disbursement System	2.5	2.5	2.2	4.0	0.0	2.0
Other	0.8	0.4	0.5	2.7	0.0	0.0
Institutions Reporting	537	170	185	82	35	65

1/ Percentages reflect the multiple response potential of the question.

TABLE 4.D.3 CONTINUED

2/ BEOG Application are Not Validated

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.20	4.65	4-Year Public	-	-	F=9.62	F=8.61
Within Groups	555	0.04	(0.00)					
Total	559							

3/ Comparison of BEOG Applications with other Financial Aid Information

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.98	7.28	4-Year Public	-	-	-	F=18.01
Within Groups	529	0.13	(0.00)	4-Year Private		-	-	F=24.54
Total	533			2-Year Private				F=14.83

4/ Statements of Non-Taxable are Requested from Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.56	2.45	4-Year Public	F=6.99	-	-	-
Within Groups	529	0.23	(0.04)					
Total	533							

5/ Documentation of Dependency Status is Requested From Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.51	6.83	4-Year Public	F=7.92	F=6.54	-	F=24.33
Within Groups	529	0.22	(0.00)	4-Year Private		-	-	F= 8.64
Total	533							

TABLE 4.D.4: PROCEDURES USED TO CORRECT INVALID DATA ON BEOG APPLICATION, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Invalid Data on BEOG Applications Are **Not** Corrected	9.4	8.1	7.1	10.9	17.0	9.6
Invalid Data on BEOG Applications Are Corrected	93.6	91.9	92.9	89.1	83.0	90.4
Institutions Reporting	554	170	186	90	40	68
Procedures Used By Institutions Which Do Validate BEOG Applications:						
Schedule Appointments-With Students, Assist Them in Correcting the Data, and have Them Re-Sign Their SERs [2]	95.8	92.8	98.9	99.0	93.8	92.8
Refer to USOE After Giving Students the Opportunity to Correct the Data [3]	24.7	40.2	21.0	29.9	9.3	20.1
Other Procedures Are Used to Correct Invalid BEOG Data	4.9	8.8	6.1	4.0	9.4	2.6
Institutions Reporting	504	157	172	80	33	62

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[1] Column sums may exceed 100 percent due to the possibility of multiple responses.

TABLE 4.D.4 CONTINUED

2/ Schedule Appointments With Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	4	0.11	2.92
Within Groups	496	0.04	(0.02)
Total	500		

3/ Refer to USOE

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.17	6.10	4-Year Public	F=15.52	-	F=13.48	F=9.14
Within Groups	496	0.19	(0.00)					
Total	500							

TABLE 4.D.5: PROCEDURES USED TO CORRECT INVALID DATA ON BEOG APPLICATION, BY LEVEL AND CONTROL OF INSTITUTION: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Invalid Data on BEOG Applications Are **Not** Corrected	2.5	1.1	0.5	3.3	0.0	4.3
Invalid Data on BEOG Applications Are Corrected	97.5	98.9	99.5	96.7	100.0	95.7
Institutions Reporting	566	171	194	90	41	70
Procedures Used By Institutions Which Do Validate BEOG Applications:						
Schedule Appointments With Students, Assist Them in Correcting the Data, and have Them Re-Sign Their SERs	95.5	94.8	98.0	97.3	97.5	92.3
Refer to USOE After Giving Students the Opportunity to Correct the Data [2]	30.3	44.7	26.4	30.3	17.3	29.7
Other Procedures Are Used to Correct Invalid BEOG Data	6.2	10.0	8.0	4.6	5.1	4.5
Institutions Reporting	557	169	193	87	41	67

[1] Column sums may exceed 100 percent due to the possibility of multiple responses.

[2] Refer to USEO

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.07	F=5.01	4-Year Public	F=14.12	-	F=11.66	-
Within Groups	550	.21	(0.00)					
Total	554							

to reconcile validation questions after the student has been given the opportunity to correct the data. As these two tables reveal, a significantly higher percentage of 4-year public institutions employ this procedure than do 4-year private and 2-year private institutions. Other procedures, such as contacting parents directly, are also utilized.

Additionally, Tables 4.D.4 and 4.D.5 display a sharp decrease in the number of institutions which did not correct invalid data on BEOG applications. The decrease in the percentage of institutions which do not correct was from 9.4 percent in 1977-78 to 2.5 percent in 1978-79. Furthermore, this drop occurred across all types of institutions, with the sharpest decline experienced by 2-year private schools (17.0 percent to 0.0 percent).

Validation of Campus Based Applications

Due to the centralized processing of Basic Grants, USOE has been able to take major steps to ensure the proper validation of student- and parent-reported application data. However, the validation of Campus Based aid applications must be handled at the institutional level. As Tables 4.D.6 and 4.D.7 illustrate, most institutions employ one or more methods to validate data reported on Campus Based applications. These procedures are similar to those used for BEOG validations, with a heavy reliance on comparing various documents in a student's file and requesting proper documentation. The table also demonstrates that there has been a general trend towards increasing validation procedures in the categories of income (both taxable and nontaxable) and dependency status.

E. SUMMARY

In Section B, it was noted that the major cause of differences in student budgets across institution types is the difference in the tuition and fees charged by the various types of schools. For students living off-campus, either with their parents or on their own, there are significant differences between institution types in the amount of money that financial aid offices budget for room and board, transportation, and other costs. For students living on-campus, 2- and 4-year private and 4-year public institutions calculate that each of these budget components

TABLE 4.D.6: PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO VALIDATE DATA ITEMS ON CAMPUS BASED AID APPLICATIONS: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Campus Based Applications Are Not Validated	12.9	11.5	13.8	18.4	15.6	5.5
Campus Based Applications Are Validated	87.1	88.5	86.2	81.6	84.4	94.5
Institutions Reporting	514	168	186	85	32	43
Procedures Used By Institutions Which do Validate BEOG Applications:						
Campus Based Applications are Compared with Other Financial Aid Forms Submitted by The Student 2/	86.5	90.5	88.8	93.0	92.4	73.5
Documentation Such as IRS 1040 Form is Requested From The Student 3/	63.7	73.3	63.5	61.6	41.0	64.1
Statements of Non-Taxable Income are Requested from The Student 4/	41.3	52.9	38.4	45.5	30.1	34.9
Documentation of Dependency Status Is Required 5/	44.5	65.6	45.9	44.4	37.3	30.1
Other	2.8	5.7	4.3	2.3	0.0	0.0
Institutions Reporting	446	150	161	69	27	39

1/ Column sums may exceed 100 percent due to the possibility of multiple responses.

TABLE 4.D.6 CONTINUED

2/ Campus Based Applications are Compared with other Financial Aid Forms.

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.25	2.63	4-Year Public	-	-	-	F=8.40
Within Groups	433	0.10	(0.03)	2-Year Public			-	F=9.09
Total	437							

3/ Documentation Such as 1040 Form is Requested

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.67	3.02	4-Year Public	-	-	F=10.66	-
Within Groups	433	0.22	(0.02)					
Total	437							

4/ Statements of Nontaxable Income are Requested from the Student.

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	4	0.62	2.55
Within Groups	433	0.24	(0.04)
Total	437		

5/ Documentation of Dependency Status is Required

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.49	6.24	4-Year Public	F=12.58	F=8.99	-	F=15.07
Within Groups	433	0.24	(0.00)					
Total	437							

TABLE 4.D.7: PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO VALIDATE DATA ITEMS ON CAMPUS BASED AID APPLICATIONS: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Campus Based Applications Are Not Validated	5.7	5.8	6.1	5.4	9.6	4.8
Campus Based Applications Are Validated	94.3	94.2	93.9	94.6	90.4	95.2
Institutions Reporting	522	170	190	83	32	47
Procedures Used By Institutions Which do Validate BEOG Applications:						
Campus Based Applications are Compared with Other Financial Aid Forms Submitted by The Students	86.9	88.9	90.5	90.0	92.9	77.1
Documentation Such as IRS 1040 Form is Requested From Student	71.6	78.3	71.0	69.6	69.4	70.4
Statements of Non-Taxable Income are Requested from The Student	50.5	58.2	45.6	55.9	49.0	46.6
Documentation of Dependency Status Is Requested[2]	51.4	66.6	50.2	49.7	48.1	45.7
Other	3.8	6.6	4.1	5.8	3.6	0.0
Institutions Reporting	489	161	178	78	29	43

[1] Column sums may exceed 100 percent due to the possibility of multiple responses.

[2] Documentation of Dependecy Status is Required

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.82	3.37	4-Year Public	F=9.27	-	-	-
Within Groups	480	0.24	(0.01)					
Total	484							

is significantly more expensive than do proprietary and 2-year public institutions. It was noted at the time, though, that these costs are "fixed" by other institutional departments and are not subject to the discretion of the aid officer. On the other hand, the room and board component of the budget is generally significantly less for students living with their parents than for other types of students. In addition, it is always the case that aid offices allot a greater sum of money for transportation and other expenses for students living off-campus, either at home or on their own, than they do for students living on campus. Finally, 2- and 4-year public and 4-year private institutions are much more likely to make adjustments to budgets for a student's special circumstances, such as a student spouse or program-related costs, than proprietary and 2-year public institutions.

In Section C, it was shown that most schools use either the Basic Grant processor or the need analysis services of the College Scholarship Service and the American College Testing Program to calculate need. Many schools use more than one of these systems. Almost 90 percent of the institutions routinely adjust some portion of the calculated parental contributions. Finally, nearly all schools report that they equate the income of independent students with "family income" in the course of computing a student's need.

As discussed in Section D, the validation of BEOG data is becoming increasingly common at all types of schools, with the sharpest increases occuring in the areas of income figures and dependency status. A sharp decrease in the number of institutions which do not correct invalid BEOG data was also noted and was found to be in line with recent directives from USOE. Finally, validation of Campus Based application data seems to follow the same general pattern as Basic Grant validation procedures.

5

AID PACKAGING AND AID OUTCOMES

A. INTRODUCTION

Since no single financial aid program is designed to meet the total need of any particular student, eligible students often receive more than one award, which, when combined, constitute an "aid package." The amounts and types of aid packages depend upon the funds available, the requirements of various funding sources and the needs of the student.

The aid packaging performed by institutional aid offices is an exercise in philosophy and goal definition. Many institutions establish and maintain a thoroughly considered packaging philosophy that is in keeping with institutional goals, reflects student needs, and is designed in accordance with Federal regulations. By doing so, these schools are better able to equitably distribute financial aid to students.

The Components of an Aid Package

Numerous aid sources are used in packaging. Presented below are some of the more commonly used grant and self-help components used in packaging.

Grants: Basic Educational Opportunity Grant (BEOG), Supplemental Educational Opportunity Grant (SEOG), State Entitlement, Institutional Grants, Private Scholarships.

Self-Help: National Direct Student Loan (NDSL), College Work-Study (CWS), Guaranteed Student Loan (GSL), Federally Insured Student Loan (FISL), Summer Savings, Academic Year Earnings, Institutional or Private Loan Funds, Campus Employment (other than CWS).

Aid officers administer funds from Federal, state, institutional, and private sources. Some of the state programs (e.g., State Student Incentive Grants) consist of matching Federal and state funds. State aid is restricted to state residents and is often confined to use at public institutions within the state. Relatively few state grants and/or loans can be used at out-of-state schools, although exceptions do exist. A few states support student expenses at any accredited school (New York, for example), and a limited number of state-to-state reciprocity agreements exist. Many postsecondary institutions have aid programs of their own that are drawn from allocations from the school's annual operating budget, private, personal, and corporate gifts, and earnings and principal from endowment funds. It is common for separate institutional funds to be reserved for specific types of students, such as academic achievers, athletes, or those majoring in specific subjects.

The role of the financial aid office in administering institutional aid varies widely. Some institutions channel all assistance through the aid office, while others use the aid office to administer only need-based institutional aid. Other private institutional aid may be administered by a scholarship or faculty committee.

Private grants are awards given directly to a particular student or group of students, often upon graduation from high school. Sources include labor unions, corporation, civic associations, nonprofit organizations, and private individuals. Institutions may not have control over the size and form of these grants, but aid offices still need to be aware of each such award in order to have a knowledge of all of the student's financial resources.

The word "packaging" as used here refers to the way grants (including scholarships and private grants) and self help (including work and/or loans) are combined to meet a student's need for financial assistance, where need is defined as the gap between the cost of education and the expected contribution made by the student and/or his or her family.

Measuring Equity

In an attempt to provide institutions with some guidance, the Keppel Task Force introduced, in 1976, a model for "equity packaging." According to the task force report, equity packaging is based on the objective of "using student aid to increase access, choice and retention".[1/] The task force goes on to identify two premises which stem from these objectives:

1) that students with lesser resources from parents and other sources not requiring employment or borrowing have a greater claim on scholarships and grants than do those who already have those resources available to them.... (Keppel, p. 72)
2) that scholarships and grants should be distributed in such a way as to equalize opportunity rather than to perpetuate existing inequities caused by birth or inequitable access to other resources. [2/]

In order to meet these goals, equity packaging attempts to give all students a so-called "equal running start" by awarding enough gift aid (in combination with family contribution, Basic Grant or other entitlement funds) to bring all students' resources up to a predetermined level. The self-help component of the aid package is then used to cover any need which may remain.

Unpackaged Need

Even with aid packaging, few schools are able to fully meet the financial need of every student. The gap between the student's gross financial need and the size of the aid package is known as "unpackaged need." From the student's perspective, unpackaged need represents the amount of additional money which the student will need in order to attend school. This unpackaged need is over and above the amount of calculated contribution which the student and/or his or her family are already committed to provide.

The amount of unpackaged need per student can vary greatly from one institution to another. It will be a function of the same factors that affect the total aid package: the availability of funds, demography of the student population, the school's packaging priorities, and level of the student budgets. The level of unpackaged need may vary within a single institution because of variations in the treatment of the aid packages for different types of students. For example, a school may choose to package the full need of the most needy students while meeting only a portion of the need of the students with more family resources. Alternatively, an institution may establish a packaging rule for treating unpackaged need. Examples of such rules are the following: total aid packaged for a student cannot exceed a fixed dollar amount; a fixed percentage of each student's need is not packaged; or all aid recipients are brought up to the level where they have an equal dollar amount of unpackaged need.

The aggregate level of unpackaged need which an institution is willing to tolerate and the way it distributes this unpackaged need among students qualifying for aid, are integral parts of the institution's packaging philosophy. Unfortunately, there is no institutional data available to address the issue of unpackaged need.

B. GENERAL APPROACHES TO PACKAGING

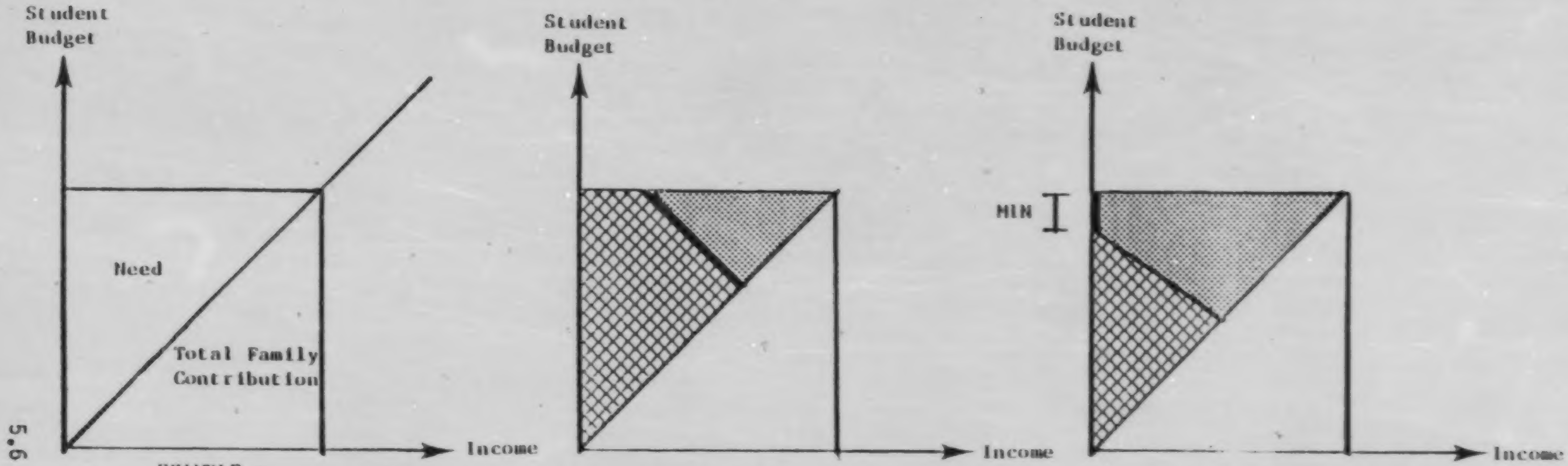
Because of the sometimes complex nature of student financial assistance, with its array of aid sources, budgets, and student types, it is not surprising to find that institutions often differ in their approaches to packaging. The analysis of packaging techniques has proven to be a challenging task. This is the third time, under this contract, that the issue has been addressed. In each case different categories of packaging emerged from examination of the data. This disparity resulted in part from the continuous refinement of the survey instruments that was done to elicit clearer, more quantifiable answers from aid officers. The design of these instruments was handicapped by the newness of the field of inquiry. Little or no previous work has been done on such a scale with such a diverse population of aid offices. Thus, much has been learned through the development of these survey instruments and the analysis of the data collected but there is still room for further refinement.

The analysis of packaging techniques is made more difficult by the fact that many aid officers have not been able to effectively articulate the operational rules and/or goals of their packaging methods. Obviously, this tempers the reliability of some of the information which will be presented on packaging.

From an examination of the data collected in this survey, five basic packaging philosophies were identified. Although different in their treatment of grant and self-help sources, each method makes use of family contribution as the first step in meeting the needs of students. An explanation of each approach is presented below and each is illustrated in Exhibit 5.B:

1. Grant to Needy, No Self-Help Requirement: Institutions using this packaging method award scarce grants to the most needy first. As a result, grants as a percentage of total need are highest for the most needy and lowest for the least needy.
2. Grants to Needy With a Self-Help Requirement: Some institutions give priority to the most needy in the awarding of grants but require that all students, including the most needy, contribute to satisfying their own financial need through work-study and/or student loans.
3. Grants to Special Groups With No Self-Help Requirement: Institutions using this packaging method also award scarce grants to the most needy but they take other factors, in addition to need, into account. These other factors might include academic achievement, minority status, state residency, or special student circumstances not included in need analysis such as previously incurred student indebtedness.
4. Grants to Special Groups With a Self-Help Requirement: Some institutions require that all grant recipients, regardless of the type of grant, meet some of their own need through work and/or loans.
5. Other: For some institutions grant funds are not scarce, so that all need can easily be satisfied with grants. Other institutions award grants as a fixed percentage of need. Unfortunately when grants are a fixed percentage of need, self-help is also a fixed percentage. As a result, this method of packaging imposes the largest absolute self-help burden on the most needy students, thereby perpetuating existing inequalities.

EXHIBIT 5.B: PACKAGING METHODS


Student Budget
Need
Total Family Contribution
Income
Student Budget
Income
Student Budget
MIN
Income

EXAMPLE

TYPE 1: Grants to Needy

TYPE 2: Same With a Minimum Self-Help Component

Note: Figures are drawn with the simplifying assumption that all need is packaged.

LEGEND:

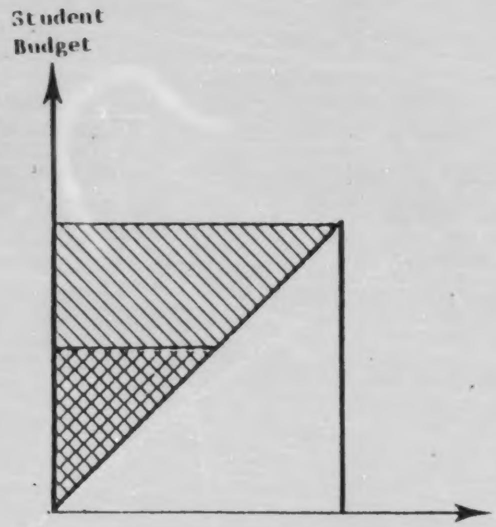
▩ = Grant Aid

▒ = Self-Help Component (Loans and/or Work)

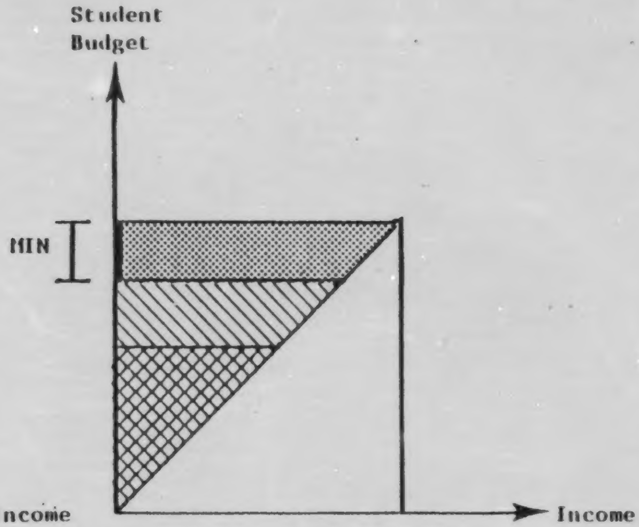
▧ = Discretionary Component (Grant and/or Self-Help)

MIN I = Minimum Self-Help Component, if any

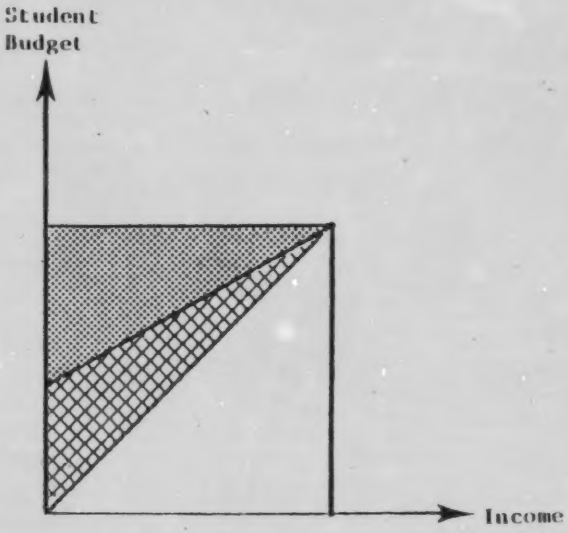
EXHIBIT 5.B: PACKAGING METHODS (Continued)


Student Budget
Income

TYPE 3: Grants to Special Groups


Student Budget
MIN
Income

TYPE 4: Grants to Special Groups with a Minimum Self-Help Component


Student Budget
Income

TYPE 5: Other, Special Case: Grants Awarded as a Fixed Proportion of Need

LEGEND:

▩ = Grant Aid

▒ = Self-Help Component (Loans and/or Work)

▨ = Discretionary Component (Grant and/or Self-Help)

MIN I = Minimum Self-Help Component, if any

Results

From Table 5.B it is clear that a majority of all types of institutions award grants to the most needy students first. (This is the sum of the first two rows in Table 5.B.) Half of the 4-year schools using this method also impose a self-help component on aid recipients. The majority of proprietary institutions (66%) award grants to the most needy first and do not require a minimal level of self-help.

Awarding grants on bases in addition to need is much less common in most types of insitutions. The only exception is among the 4-year private schools, 43 percent of which use criteria in addition to need in making grant awards. These schools tend to have more institutional and private grants available than the other types of schools. Presumably, these are the grants which are awarded on bases other than need since Federal grants must be awarded solely on the basis of financial need.

C. SEQUENCE OF AID AWARDS

Frequently, the sequence in which aid is packaged will differ from one institutiuon to another. Financial aid officers at one school may, for example, package grants first while officials at another institution begin packaging with self-help. The sequential order which is chosen may be related to the nature and size of the aid sources as well as the packaging philosophies adopted by the institution. Various schools may package according to identical principles and achieve similar outcomes while sequencing awards by what appear to be opposing methods. One particular institution reported that it reordered its sequencing priorities upon its shift from a manual to computer packaging system without affecting the end result. Thus, the reader is cautioned not to draw major conclusions from the data presented on sequencing.

Institutions were asked to specify the aid program(s) with which they began the packaging process for dependent and independent students. The results, reported in Table 5.C, indicate that all types of schools package state grants first (69-89%). In the public and private schools,

TABLE 5.B: PERCENT OF INSTITUTIONS USING VARIOUS TYPES OF PACKAGING, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprie-tary
Type 1: Grants to Needy, No Self Help Reqiurement 1/	44.2	39.2	28.0	42.4	45.0	65.9
Type 2: Grants to Needs With a Self Help Requirement 2/	28.3	39.8	29.3	32.9	32.8	15.6
Type 3: Grants to Special Groups No Self Help Requirement 3/	13.7	11.6	22.6	9.0	14.1	9.3
Type 4: Grants to Special Groups With a Self Help Requirement 4/	11.2	9.0	19.5	13.8	8.1	1.7
Type 5: Other	5.3	5.5	7.6	3.8	6.3	4.0
Schools Reporting	648	204	226	98	49	71

1/ Type 1

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.80	7.91	4-Year Public	-	-	-	F=13.98
Within Groups	634	0.23	(0.00)	4-Year Private		-	-	F=28.81
Total	638			2-Year Public			-	F= 8.85

TABLE 5.B CONTINUED

2/ Type 2

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.74	3.45	4-Year Public	-	-	-	F=12.12
Within Groups	634	0.22	(0.01)					
Total	638							

3/ Type 3

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.53	4.21	4-Year Public	F=10.47	-	-	F=12.12
Within Groups	634	0.13	(0.00)	4-Year Private		F=10.19	-	-
Total	638							

4/ Type 4

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.54	4.94	4-Year Public	F=10.90	-	-	-
Within Groups	634	0.11	(0.00)	4-Year Private	-	-	-	F=13.27
Total	638							

TABLE 5.C: PERCENT OF PARTICIPATING INSITUTIONS STARTING THE PACKAGING PROCESS FOR DEPENDENT STUDENTS WITH THE SPECIFIED AID PROGRAM, BY INSITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79 1/

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
State Grants	75.1 (561)	70.9 (186)	79.3 (219)	71.7 (91)	88.5 (42)	69.3 (23)
Institutional Grants	22.0 (461)	21.9 (146)	21.7 (210)	19.7 (60)	20.6 (30)	30.1 (15)
SEOG 2/	26.1 (548)	22.4 (146)	12.1 (212)	14.8 (90)	16.8 (42)	60.5 (58)
NDSL 3/	11.0 (568)	3.8 (198)	4.8 (213)	6.3 (68)	5.7 (36)	30.7 (53)
CWS 4/	14.2 (575)	12.5 (200)	10.3 (216)	22.0 (100)	4.7 (41)	12.2 (18)

1/ The number of institutions reporting that they participate in the specified aid program and providing information on the packaging sequence is given in parentheses. Note that 4-year schools tend to participate in all programs. Note also that few proprietaries report having institutional grants, CWS or state grants. Percentages provided in the table are for program participants only.

Responses are for full-time dependent undergraduates with an expected family contribution of zero and a BEOG award equal to one half of the cost of schooling up to a BEOG ceiling of $1,600.

2/ SEOG

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	2.27	15.58	4-Year Public	-	-	-	F=35.53
Within Groups	580	0.15	(0.00)	4-Year Private		-	-	F=58.34
Total	584			2-Year Public			-	F=42.44
				2-Year Private				F=28.13

3/ NDSL

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.65	11.37	4-Year Public	-	-	-	F=42.00
Within Groups	551	0.06	(0.00)	4-Year Private		-	-	F=39.52
Total	555			2-Year Public			-	F=26.11
				2-Year Private				F=20.65

these are followed by institutional grants. A surprisingly high percentage of proprietary institutions (30%) report that they start the packaging process with institutional grants.

In 4-year schools and proprietary institutions packaging of Campus Based Programs typically begins with SEOG, followed by CWS and then NDSL. The rank order is slightly different in 2-year public schools where the packaging of campus based aid often begins with CWS followed by SEOG and the NDSL. The rank order is also a little different in the 2-year private schools, where NDSL tends to enter the packaging process ahead of CWS.

Proprietary institutions rely most heavily on the Campus Based Programs, due mainly to their lack of other aid funds. Significantly higher percentages of proprietary institutions mentioned that they start packaging with SEOG or NDSL: 61 percent of all proprietary institutions begin packaging with SEOG while 22 percent or less of all other types of schools begin packaging with this program; 31 percent of the proprietary insitutions consider NDSL first while only 4 to 6 percent of all other school types do so. Another significant difference in packaging between types of institutions has to do with CWS. A significantly higher percentage of 2-year public schools start packaging with CWS (22%). This stands out in contrast with the low percentages of 2-year private schools (5%) and 4-year private schools (10%) which begin packaging with CWS.

The above observations apply to the packaging of aid for dependent students. Schools were also asked about aid packaging for independent students. The results indicate that aid officers treat independents like dependents. The only exception was found among 4-year private schools: at the 10 percent level of significance, their aid packaging for independents, as opposed to dependents, is more likely to begin with institutional aid and CWS and less likely to begin with SEOG.

D. RELATIONSHIP BETWEEN AID PACKAGE AND CLASS LEVEL

Do financial aid officers treat freshmen differently than upper classmen in the packaging of aid? This question was investigated and the results are reported in Table 5.D. The main difference noted is that

TABLE 5.D: PERCENT OF AID RECIPIENTS RECEIVING AID UNDER EACH FEDERAL PROGRAM, BY CLASS AND INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79 1/

		Institutional Level and Control					
		All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
BEOG:	Freshmen 2/	73.4 (224)	75.3 (64)	57.8 (93)12/	87.0 (36)	69.9 (20)	89.1 (11)
	Upperclassmen 3/	74.2 (224)	75.1 (64)	61.0 (93)12/	87.2 (36)	69.8 (20)	85.9 (11)
SEOG:	Freshmen 4/	32.3 (226) 10/	29.6 (72)11/	40.5 (96)13/	17.7 (32)14/	33.2 (19)	47.0 (7)
	Upperclassmen 5/	23.7 (226) 10/	21.4 (72)11/	29.6 (96)13/	13.4 (32)14/	27.2 (19)	30.9 (7)
NDSL:	Freshmen 6/	40.2 (211)	38.6 (70)	51.2 (96)	20.6 (24)	27.9 (16)	50.3 (5)
	Upperclassmen 7/	39.6 (211)	39.9 (70)	50.0 (96)	22.8 (24)	25.3 (16)	37.1 (5)
CWS:	Freshmen 8/	38.0 (225)	32.9 (71)	48.8 (95)	26.2 (39)	48.4 (16)	30.3 (4)
	Upperclassmen 9/	40.0 (225)	34.5 (71)	49.4 (95)	30.6 (39)	53.8 (16)	25.8 (4)

1/ The number of institutions reporting is given in parentheses.

2/ BEOG Freshmen

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.71	19.02	4-Year Public	F=30.38	F= 8.48	-	-
Within Groups	213	0.04	(0.00)	4-Year Private		F-58.44	-	F=16.97
Total	217			2-Year Public			F=9.79	-

3/ BEOG Upperclassmen

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.53	15.06	4-Year Public	F=20.94	F= 9.48	-	-
Within Groups	213	0.03	(0.00)	4-Year Private		F-49.62	-	F=11.42
Total	217			2-Year Public			F=10.65	-

TABLE 5.D CONTINUED

4/ SEOG Freshmen

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.36	6.76	4-Year Public	F= 8.96	-	-	-
Within Groups	215	0.05	(0.00)	4-Year Private		F=23.17	-	-
Total	219							

5/ SEOG Upperclassroom

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.18	6.04	4-Year Public	F= 3.81	-	-	-
Within Groups	215	0.03	(0.03)	4-Year Private		F=20.43	-	-
Total	219							

6/ NDSL Freshmen

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.57	9.45	4-Year Public	F=10.33	F= 9.27	-	-
Within Groups	199	0.06	(0.00)	4-Year Private		F=28.67	F=12.27	-
Total	203							

7/ NDSL Upperclassmen

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.49	9.70	4-Year Public	F= 7.99	F=10.06	-	-
Within Groups	199	0.05	(0.00)	4-Year Private		F=27.26	F=16.66	-
Total	203							

TABLE 5.D CONTINUED

8/ CWS Freshmen

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.48	9.27	4-Year Public	F=19.19	-	-	-
Within Groups	214	0.05	(0.00)	4-Year Private		F=26.21	-	-
Total	218			2-Year Public			F=10.68	-

9/ CWS Upperclassmen

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.42	9.23	4-Year Public	F=19.21	-	F=10.59	-
Within Groups	214	0.05	(0.00)	4-Year Private		F=20.73	-	-
Total	218			2-Year Public			F=13.24	-

10/ All, SEOG

	Upperclassmen
Freshmen	t=6.50

11/ 4-Year Public, SEOG

	Upperclassmen
Freshmen	t=4.49

12/ 4-Year Private, BEOG

	Upperclassmen
Freshmen	t=2.15

13/ 4-Year Private, SEOG

	Upperclassmen
Freshmen	t=5.39

14/ 2-Year Public, SEOG

	Upperclassmen
Freshmen	t=2.68

freshmen are more likely to receive SEOG's than are upper classmen. This statement holds for all types of institutions. For example, in the 4-year public schools, 30 percent of all freshmen aid recipients receive SEOG's but only 21 percent of upper class aid recipients do so. The same pattern is found in 4-year private schools where 41 percent of all freshmen aid recipients receive SEOG's but only 30 percent of upperclass aid recipients do so. It is interesting to note that SEOG awards decline after the freshman year but BEOG awards do not. This may be due to the fact that some institutions assign only minimal self-help burdens to first year students, while others are affected by the differences in their initial year and continuing year SEOG funding levels. These facts might lead one to expect that schools rely more heavily on self-help in packaging aid for upper classmen. However, NDSL and CWS awards appear with equal frequency in the aid packages of students across all class levels. The only exception occurs in 2-year public schools where CWS is more common among second year students than among first year students. There is a statistically insignificant tendency in this same direction in the other public and private institutions.

Table 5.D also reveals differences in the composition of the representative aid package between different types of institutions. In the 2-year public and proprietary institutions 86 to 89 percent of all aid recipients receive Basic Grants while only 70 percent of the aid recipients in 2-year private schools are awarded a BEOG. The same kind of a difference is found among 4-year schools: Basic Grants are received by 73 to 74 percent of all aid recipients in 4-year public schools, but only 58 to 61 percent of all aid recipients in 4-year private institutions. The Basic Grant, along with the family contribution and other entitlements, forms the foundation upon which student aid packages are built.

The opposite pattern emerges in the use of SEOG which plays a more prominent role in the private and proprietary schools than in the public institutions. The use of SEOG corresponds to the cost structure of the schools. The costs borne by the student are highest in the private and proprietary schools so that the need for supplementary grants, such as SEOG, is greatest in these institutions. The same general pattern observed for SEOG holds for NDSL and CWS. They play a more prominent role in the aid packages of students attending private schools than their public counterparts. In 4-year private schools, for example, 50 to 51 percent of all aid recipients receive an NDSL award; in 4-year public schools only 39 to 40 percent do so. The use of loans is much lower among the 2-year schools but the same pattern holds: private schools use loans more than public schools. CWS appears with equal frequency in the aid packages of students attending 2-year and 4-year private schools, where approximately 50 percent of all aid recipients participate in the College Work-Study program. The use of CWS is lower in the public schools and lowest among proprietary institutions for reasons to be discussed below.

E. SPECIAL TOPICS RELATED TO PACKAGING

As noted earlier, proprietary institutions rely on CWS to a lesser extent than do other schools. A practical reason for this is that CWS students cannot be employed by profit-making concerns, which precludes this employment on the campuses of proprietary institutions. In general, a low number of proprietary institutions participate in the CWS program and a high percentage of off-campus placement is observed among those which do participate (see Table 5.E.1).

Aid Outcomes

As stated in the beginning of this chapter, successful aid packaging reflects the goals of the institutions, the needs of the students, and the objectives of the Federal government. It does so by distributing aid in a manner which is equitable and addresses the needs of students. Most of this chapter has dealt with the composition of the aid package, especially the mix of grant aid and self-help. Now attention is turned to the outcome of the packaging process. Regardless of the mix of programs used, the goal is to provide more assistance to the more needy student and thus more effectively eliminate financial barriers to postsecondary education. Tables 5.E.2 and 5.E.3 address this issue.

Also addressed is the issue of aid to dependent versus independent students. A higher percentage of all recipients are dependent in the private schools. This may reflect the higher costs borne by the student

TABLE 5.E.1: PERCENT OF CWS RECIPIENTS RECEIVING ON-CAMPUS AND OFF-CAMPUS PLACEMENTS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
On Campus 2/	88.8	88.6	91.4	92.3	93.7	45.1
Off Campus 3/	11.2	11.5	8.6	7.7	6.3	54.9
Institutions Reporting	426	151	161	79	25	10

1/ Columns may not sum exactly to 100 percent due to rounding.

2/ On Campus

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.36	16.33	4-Year Public	-	-	-	F=49.68
Within Groups	416	0.02	(0.00)	4-Year Private		-	-	F=56.50
Total	420			2-Year Public			-	F=56.66
				2-Year Private				F=52.12

3/ Off Campus

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.36	16.33	4-Year Public	-	-	-	F=49.68
Within Groups	416	0.02	(0.00)	4-Year Private		-	-	F=56.50
Total	420			2-Year Public			-	F=56.66
				2-Year Private				F=52.12

TABLE 5.E.2: PERCENT DISTRIBUTION OF FEDERAL AID RECIPIENTS BY TYPE OF STUDENT, INCOME CLASS AND INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
All Dependent Students 1/	70.8	68.6	81.4	69.6	83.5	63.8
Dependent Students by Income Class:						
$0-5,999 2/	28.5	17.9	16.3	31.4	21.2	39.0
6,000-11,999 3/	21.1	21.7	23.5	22.1	24.4	18.4
12,000-17,999 4/	13.0	18.1	22.3	11.5	22.0	5.1
18,000-23,999 5/	5.7	8.3	13.2	3.0	9.6	1.0
24,000-29,999 6/	1.8	2.1	4.5	0.5	5.5	0.2
30,000 or More 7/	0.8	0.6	1.6	1.0	0.9	0.1
All Independent Students 8/	29.2	31.5	18.6	30.4	16.5	36.2
Institutions Reporting	453	134	151	69	34	65

1/ All Dependent Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.59	11.75	4-Year Public	F= 2.33	-	F= 1.21	-
Within Groups	448	0.05	(0.00)	4-Year Private		F= 1.34	-	F= 2.84
Total	452			2-Year Public			F= 0.89	-
				2-Year Private				F= 1.73

2/ 0-5,999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.80	24.87	4-Year Public	-	F=25.78	-	F=59.80
Within Groups	448	0.03	(0.00)	4-Year Private		F=33.81	-	F=72.62
Total	452			2-Year Private				F=21.82

TABLE 5.E.2 CONTINUED

3/ 6,000-11,999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.03	2.86	4-Year Private		-	-	F= 9.80
Within Groups	448	0.01	(0.02)					
Total	452							

4/ 12,000-17,999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.42	45.17	4-Year Public	F=13.73	F=20.89	-	F= 78.97
Within Groups	448	0.01	(0.00)	4-Year Private		F=59.96	-	F=146.35
Total	452			2-Year Public		F=27.04	-	F= 14.95
				2-Year Private				F = 68.97

5/ 18,000-23,999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.23	53.21	4-Year Public	F=39.40	F= 29.56	-	F= 54.15
Within Groups	448	0.00	(0.00)	4-Year Private		F=115.56	F= 8.52	F=158.94
Total	452			2-Year Public			F=23.00	-
				2-Year Private				F = 38.49

6/ 24,000-29,999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.04	15.37	4-Year Public	F=16.19	-	F=12.54	-
Within Groups	448	0.00	(0.00)	4-Year Private		F=29.68	-	F=32.65
Total	452			2-Year Public			F=22.41	-
				2-Year Private				F=24.52

TABLE 5.E.2 CONTINUED

7/ 30,000 +

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	4	0.00	2.56
Within Groups	448	0.00	(0.04)
Total	452		

8/ Independents

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.59	11.76	4-Year Public	F=23.32	-	F=12.06	-
Within Groups	448	0.05	(0.00)	4-Year Private		F=13.38	-	F=28.36
Total	452			2-Year Public			F= 8.85	-
				2-Year Private				F=17.34

TABLE 5.E.3: AVERAGE FEDERAL AID AWARD PER STUDENT BY INCOME CLASS AND INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79[1]

	Institutional Level and Control					
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Dependent Students by Income Class:						
$0-$5,999 2/	1296 (395)	1228 (121)	1854 (58)	1009 (58)	1453 (29)	1097 (58)
$6,000-$11,999 3/	1203 (389)	1162 (121)	1747 (129)	1126 (58)	1366 (29)	858 (52)
$12,000-$17,999 4/	1013 (376)	1045 (121)	1364 (129)	829 (54)	1185 (27)	804 (45)
$18,000-$23,999 5/	962 (320)	885 (116)	1230 (125)	611 (43)	1021 (21)	912 (15)
$24,000-$29,999	828 (250)	815 (101)	887 (109)	625 (18)	762 (17)	1050 (5)
$30,000 or More	723 (191)	674 (75)	733 (90)	734 (9)	735 (13)	817 (4)
Independent Students 6/	1192 (355)	1235 (117)	1467 (122)	875 (47)	1141 (25)	1143 (45)

1/The number of institutions reporting that they provide aid to students in a given income class is given in parentheses. Note that the number reporting aid awards declines as the student's income rises.

2/ 0-5,999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	11,211,092.00	18.40	4-Year Public	F=40.06	-	F=12.06	-
Within Groups	389	609,485.19	(0.00)	4-Year Private		F=47.20	-	F=36.89
Total	393							

3/ 6,000-11,999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	10,047,937.00	10.72	4-Year Public	F=22.78	-	-	-
Within Groups	384	937,116.31	(0.00)	4-Year Private		F=16.59	-	F=31.05
Total	388							

TABLE 5.E.3 CONTINUED

4/ 12,000-17,999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	4,387,850.00	12.71	4-Year Public	F=18.28	-	-	-
Within Groups	370	345,276.00	(0.00)	4-Year Private		F=31.68	-	F=29.36
Total	374							

5/ 18,000-23,999

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3,708,821.00	F=9.99	4-Year Public	F=19.08	-	-	-
Within Groups	309	371,420.12	(0.00)	4-Year Private		F=33.08	-	-
Total	313							

6/ Independents

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3,342,599.00	F=6.98	4-Year Public	-	F= 8.99	-	-
Within Groups	349	478,698.87	(0.00)	4-Year Private		F=24.92	-	-
Total	353							

in private schools and the need for students to remain in a dependent status in order to continue to be subsidized by their families. Conversely, the lower percentage of dependent students in the public institutions may reflect the fact that public schools are available to a broader cross-section of students.

The distribution of aid among income classes shows a clear pattern: students from lower income backgrounds do indeed receive more aid than those from higher income groups. The distribution of aid appears to be more skewed in favor of the lowest income groups in the 2-year public schools and the proprietary institutions where 53 to 57 percent of all aid goes to students from families with incomes less than $12,000. In the 4-year schools only 40 to 50 percent of all aid goes to students in this income group. But these apparent differences between types of schools likely reflect the underlying income distributions of their student populations.

Table 5.E.3 carries the analysis one step further and examines the average award amount received by aid recipients in each income class. Again, a consistent pattern is evident: the more needy students receive larger awards. As expected, award amounts are always higher in the private schools than in their public counterparts, reflecting, of course, the differences in tuition costs. Table 5.E.3 also shows the number of schools reporting that they give aid awards to students in the various income classes. Note that the number of schools reporting such aid declines as the student's income rises. That is, fewer schools report giving any aid to the students in the higher income groups. It should be noted that these figures are for aid given prior to the passage of the Middle Income Student Assistance Act.

F. SUMMARY

Packaging refers to the way grants and self-help are combined to meet a student's need for financial assistance. Equity packaging refers to the equalization of educational opportunities through the concentration of grants among the most needy so as to reduce their need for work and loans to acceptable levels. Five approaches to packaging are identified and are found to be in widespread use. These are: (1) priority is given to the most needy in the allocation of grants; (2) same as (1) with the imposition of a minimum self-help component; (3) factors in addition to need influence the allocation of grants; (4) same as (3) with the imposition of a minimum self-help component; and (5) other, including grants awarded as a fixed percentage of need. All of these methods, except possibly the last, were found to be generally consistent with the principle of equity. Proprietary institutions rely most heavily on the Federal programs because they generally lack institutional funds and typically do not have access to state funds. The aid packages offered to freshmen are similar to those offered to upper classmen except that SEOG is more prominent in packages awarded to freshmen.

6

DISTRIBUTING AID, MONITORING RECIPIENT STATUS AND RECOVERING OVERAWARDS

A. INTRODUCTION

Institutional responsibilities do not end with need determination and aid packaging. Monitoring the factors which may affect the enrollment status of student financial aid recipients disbursing aid dollars, and recovering overawards are integral parts of an overall policy of sound fiscal management. The application of rules and regulations which are the responsibility of college governing authorities, independent of the financial aid office, can potentially alter the eligibility status of students receiving assistance. For example, a student who fails to meet certain academic requirements may be suspended from classes, or a student who drops a course in mid-term may forfeit his or her full-time status. These circumstances would obviously prompt a modification in the student's aid eligibility status. In order to discern the existence of such circumstances, the financial aid office must maintain certain channels of communication with other institutional offices.

The way in which institutions conduct monitoring and disbursement activities is largely a function of the individual institution. As will be seen in the following discussion, there is some degree of continuity yet also considerable diversity in the way institutions describe their monitoring and disbursement practices. It is only natural to expect, though, that large institutions may employ computer-based practices[1] while small schools rely on manual and/or less informal practices.

B. RESULTS

Table 6.B.1, which examines the disbursement systems employed for the BEOG, SEOG, and NDSL programs, reveals considerable diversity in the disbursement of Federal aid awards to students.[2] There is a notable propensity for private schools to credit one payment per term to a student account, while public institutions make one or more payments directly to the student. By crediting payments to the student accounts, schools automatically (once the student's signature is obtained) apply the financial aid money to payment for tuition, fees, and applicable room and board charges. Any remainder is paid to the student, but the bulk is used as part of this credit. If a student is found to be overawarded, the money, in many cases, is reimbursed to the financial aid office from the tuition or rooming reimbursement which the student would have been entitled to receive.

Multiple payments within an academic term, based on academic progress, are used primarily by 2-year public and proprietary schools. This may reflect the higher student dropout rates and curriculum changes at these institutions. These institutions are more likely to have academic programs which begin at irregular times and are of varying duration rather than beginning in September or January and lasting for a standard academic year. Thus, the disbursement mechanisms in these schools are in operation almost constantly. There are no significant differences between the BEOG, SEOG and NDSL disbursement systems within institution types except with regard to multiple payments. Multiple payments are much more common for BEOG awards than

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[1] Institutions which possess centralized data processing systems can perform regular crosschecks of registration, academic, and financial aid rosters in order to identify special cases.

[2] College Work-Study awards are disbursed on an "as-earned" basis throughout the period of the student's employment.

TABLE 6.B.1: PERCENT OF INSTITUTIONS USING SPECIFIED PROCEDURES TO DISTRIBUTE BEOG, SEOG AND NDSL PAYMENTS: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
	All Schools	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
BEOG						
Payments Direct to Student 1/	54.2	66.2	23.5	84.3	36.8	57.8
Payments Credited to Student Account 2/	45.8	33.8	76.5	15.7	63.2	42.2
Payments Once Per Term 3/	63.7	93.4	98.4	60.7	83.4	15.4
Multiple Payments Per Term 4/	36.3	6.7	1.6	39.3	16.6	84.6
Institutions Reporting	380	119	137	47	24	43
SEOG						
Payment Direct to Student 5/	51.7	67.0	22.6	85.0	34.1	48.6
Payments Credited to Student Account 6/	48.3	33.1	77.4	15.0	65.9	51.5
Payments Once Per Term 7/	80.4	94.3	97.7	76.1	90.3	46.8
Multiple Payments Per Term 8/	19.6	5.7	2.3	23.9	9.7	53.2
Institutions Reporting	359	119	134	54	20	32
NDSL						
Payments Direct to Student 9/	55.3	76.4	31.8	85.2	49.1	40.3
Payments Credited to Student Account 10/	44.7	23.6	68.2	14.8	50.9	59.7
Payments Once Per Term 11/	82.9	94.4	96.3	78.9	87.9	51.2
Multiple Payments Per Term 12/	17.1	5.6	3.7	21.2	12.1	48.8
Institutions Reporting	334	120	127	46	16	25

1/ BEOG DIRECT 2/ BEOG CREDITED

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	5.01	25.12	4-Year Public	-	-	F = 8.66	F = 1.02
Within Groups	370	0.20	(0.00)	4-Year Private		F = 73.54	F = 17.55	F = 17.55
Total	374			2-Year Public			F = 18.98	F = 7.95

3/ BEOG ONCE 4/ BEOG MULTIPLE

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	6.26	73.54	4-Year Public		F = 47.79	-	F = 205.55
Within Groups	370	0.08	(0.00)	4-Year Private		F = 66.35	-	F = 240.32
Total	374			2-Year Public			F = 10.21	F = 54.47
				2-Year Private			-	F = 79.90

TABLE 6.B.1 CONTINUED

5/ SEOG DIRECT   6/ SEOG CREDITED

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	5.12	26.34	4-Year Public	F = 63.38	-	F = 9.09	-
Within Groups	345	0.19	(0.00)	4-Year Private		F = 76.75	-	-
Total	349			2-Year Public			F = 18.71	F = 11.34

7/ SEOG Once   8/ SEOG Multiple

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.64	21.00	4-Year Public	-	F = 15.77	-	F = 57.84
Within Groups	345	0.08	(0.00)	4-Year Private		F = 22.90	-	F = 67.51
Total	349			2-Year Public			-	F = 18.32
				2-Year Private				F = 25.74

9/ NDSL Direct   10/ NDSL Credited

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	4.20	21.33	4-Year Public	F = 62.08	-	-	F = 10.40
Within Groups	321	0.20	(0.00)	4-Year Private		F = 48.04	-	-
Total	325			2-Year Public			-	F = 13.20

11/ NDSL Once   12/ NDSL Multiple

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.04	13.40	4-Year Public	-	F = 10.20	-	F = 37.76
Within Groups	321	0.08	(0.00)	4-Year Private		F = 13.05	-	F = 41.44
Total	325			2-Year Public			-	F = 12.73
				2-Year Private			-	F = 14.26

TABLE 6.B.1 CONTINUED

4/ MULTIPLE PAYMENTS

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	2.22	15.41	4-Year Public	-	-	-	F = 50.09
Within Groups	647	0.14	(0.00)	4-Year Private		-	-	F = 50.90
Total	651			2-Year Public			-	F = 17.24
				2-Year Private				F = 13.76

5/ BURSAR

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.90	10.76	4-Year Public	-	-	-	F = 28.92
Within Groups	647	0.18	(0.00)	4-Year Private		-	-	F = 38.18
Total	651			2-Year Public			-	F = 10.22

6/ OTHER SCHOOLS

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.79	8.24	4-Year Public	F = 18.09	-	F = 11.98	F = 21.39
Within Groups	647	0.22	(0.00)	2-Year Public			-	F = 8.46
Total	651							

they are for SEOG and NDSL disbursements. Among 2-year public schools, for example, almost 40 percent use multiple payments to disburse BEOG awards, but less than 25 percent use multiple payments to disburse SEOG and NDSL funds. The same is true for proprietary institutions: 85 percent make multiple BEOG payments and less than 53 percent make multiple SEOG and NDSL payments.

Monitoring Student Status

In order to prevent multiple and/or overawards, most institutions rely on close coordination between the financial aid office and administrative offices, especially the registrar and bursar (see Table 6.B.2). Through this coordination, aid officers are able to keep close track of a student's enrollment status, course load, and financial aid awards received from outside sources.

Maintaining contact with other postsecondary institutions attended by an aid recipient is another common although considerably short of universal (50 to 80 percent) practice. By making use of a financial aid transcript, aid officers are provided with a record of previous grant, loan, and work-study monies awarded to an incoming transfer student. This is especially useful in keeping track of the cumulative amount of NDSL, SEOG and state awards which a student has received so that they do not exceed legal limits.

Another practice used to prevent overawarding is to recalculate the student's award amount. This practice allows the aid officer to determine if a miscalculation, and subsequent error in packaging, was made. Other widely used practices include requiring applicants to submit appropriate tax forms to validate information given on aid applications; witholding payments until the end of the drop/add period; and witholding payments until the end of the refund period.

Student Withdrawal

The financial aid office can best monitor student withdrawals if it is fully integrated into the institution's withdrawal procedure. As the

TABLE 6.B.2: PERCENT OF INSTITUTIONS USING SELECTED PROCEDURES TO PREVENT OVER-AWARDING OF AID BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
	All Schools	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Require Tax Form to Validate SER or Application 2/	17.7	26.4	23.3	18.4	16.2	9.8
Recompute Award Amount a Second Time	26.0	25.1	22.3	22.6	29.8	30.9
No Payments Before End of Add or Drop Period	21.8	20.3	27.3	26.0	30.3	14.2
No Payments Before End of Refund Period 3/	18.5	12.7	20.1	26.3	16.1	14.6
Multiple Payments Each Term 4/	27.6	12.1	12.5	24.4	22.6	47.8
Close Coordination with Registrar	64.0	57.9	67.2	60.9	65.0	65.8
Close Coordination with Bursar 5/	67.9	79.9	83.7	69.8	70.6	49.8
Contact Other Postsecondary Schools Attended by Applicant 6/	61.0	78.9	59.4	70.4	53.5	50.2
Institutions Reporting	659	193	223	104	51	88

1/ Column totals sum to more than 100% because of multiple responses.

2/ TAX FORM

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.47	2.84	4-Year Public	-	-	-	F = 9.44
Within Groups	647	0.20	(0.02)					
Total	651							

3/ REFUND PERIOD

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.37	2.52	4-Year Public	-	F = 8.54	-	-
Within Groups	647	0.15	(0.04)					
Total	651							

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Site Visit Survey revealed, 33 percent of all institutions require students to formally notify the financial aid office before permission to withdraw or change course load is granted. This may involve the signing of a document by the financial aid office, which the student then presents to the registrar with his or her course change (additional signatures may be required from the bursar, parking violations office, campus housing office, library, or other school departments as part of this process). The remaining two-thirds of the institutions utilize a variety of other methods in order to monitor student enrollment status. These methods involve mostly the periodic monitoring of enrollment or other rosters in order to spot potential problems.

Whatever method is used, Table 6.B.3 shows that the majority of schools (61%) claim to detect the departure of an aid recipient by the start of the following term so that the overpayment, if any, is typically less than the award amount for a single term. All schools, with the exception of proprietary institutions claim to exceed this: over 50 percent claim to detect the departure of an aid recipient by the end of the academic term.

Recovering Overawards

Although the U.S. Office of Education requires institutions to collect aid funds which may have been overawarded to students, some schools report difficulties in complying with this regulation (see Tables 6.B.4 and 6.B.5). Of the institutions surveyed, 79 percent provided information about recovery of BEOG and SEOG grant aid from students who withdrew or otherwise changed their enrollment status.[3] Of these, 60 percent indicated that they had no overawards. For those that did report overawards, 61 percent reported complete recovery. For all schools reporting overawards, an average of 78 percent of the overawarded funds are recovered. It is interesting to note that the percentage of respondents reporting no overawards is lowest in the 4-year private and

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[3] Questions regarding recovery appeared in the Long Form Questionnaire. The number of respondents to this questionnaire is 601. Of these, 477 provided information on overaward (477/601) = .79.

TABLE 6.B.3: PERCENT OF INSTITUTIONS DETECTING DEPARTURE OF AID RECIPIENTS BY SPECIFIED TIMES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
End of Academic Term	50.3	51.7	56.8	57.9	54.9	39.1
Start of Following Term 1/	10.7	21.2	14.0	16.0	6.1	1.2
Either End of Term or Start of Following Term 2/	61.0	72.9	70.9	73.9	61.0	40.4
Institutions Reporting	659	193	223	104	51	88

1/ START OF TERM

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.67	5.58	4-Year Public	-	-	-	F = 18.85
Within Groups	647	0.12	(0.00)	4-Year Private		-	-	F = 8.08
Total	651			2-Year Public			-	F = 8.30

2/ END OR START

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.84	8.78	4-Year Public	-	-	-	F = 28.43
Within Groups	647	0.21	(0.00)	4-Year Private		-	-	F = 26.07
Total	651			2-Year Public			-	F = 24.27

TABLE 6.B.4: RECOVERY OF BEOG OVERAWARDS BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Percent of Respondents Reporting No Overawards 1/	74.0	53.8	75.4	58.7	72.6	87.1
Institutions Reporting	477	130	179	71	33	64
For Those Reporting Overawards:						
Percent Reporting Complete Recovery 2/	61.0	51.2	82.8	42.9	78.5	69.0
Average Percentage Recovered 3/	78.0	72.5	87.4	66.0	90.3	89.1
Average Overaward Per Student Becoming Ineligible 4/	335	396	584	226	192	149
Institutions Reporting	147	60	38	29	9	11

1/ No Overwards

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1.67	8.16	4-Year Public	F = 17.07	-	-	F = 23.59
Within Groups	473	0.20	(0.00)	2-Year Public			-	F = 13.46
Total	477							

TABLE 6.B.4 CONTINUED

2/ COMPLETE RECOVERY

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.98	4.53	4-Year Public	F = 11.40	-	-	-
Within Groups	146	0.22	(0.00)	4-Year Private		F = 12.65	-	-
Total	150							

3/ PERCENT RECOVERED

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	4	0.31	2.66
Within Groups	146	0.11	(0.03)
Total	150		

4/ OVERAWARD

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	826,011.87	7.84	4-Year Public	F = 8.36	-	-	-
Within Groups	146	105,401.87	(0.00)	4-Year Private		F = 21.12	F = 9.86	F = 12.15
Total	150							

TABLE 6.B.5: RECOVERY OF SEOG OVERAWARDS BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79

	Institutional Level and Control					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Percent of Respondents Reporting No Overawards	90.6	82.1	86.8	88.3	88.5	98.8
Institutions Reporting	418	124	157	61	27	49
For Those Reporting Overwards:						
Percent Reporting Complete Recovery	82.3	57.8	91.4	85.2	100.0	-
Average Percentage Recovered	87.4	78.4	91.4	85.2	100.0	-
Average Overaward Per Student Becoming Ineligible ($)	278.1	302	423	113	92	-
Institutions Reporting	50	24	16	7	3	-

2-year public institutions. They report the lowest recovery rates of any institution types, with 4-year private schools achieving a higher rate of recovery than the 2-year public schools. With regard to SEOG overawards, 4-year public schools appear to have the worst problem. The percentage of respondents reporting no overawards is lowest in this group, as is the percent reporting complete recovery.

C. SUMMARY

In general, it is in the institution's best interest to maintain an efficient system for monitoring the academic program of student aid recipients. As part of the responsibilities which are attached to the receipt of Federal aid funds, institutions must ensure that none of these monies are misappropriated. Schools can either attempt to disburse funds in a manner which requires academic progress as a prerequisite for the receipt of aid, or disburse the funds all at once and then keep close tabs on the student throughout the academic year. It is apparent that the size of the institution as well as the personnel and resources (e.g., computers) available to perform monitoring functions can predetermine the scope of the monitoring activities undertaken. The consequences for institutions which do not properly monitor the progress of aid recipients could potentially include the loss of eligibility for Federal student aid.

7

ADMINISTRATION OF THE NATIONAL DIRECT STUDENT LOAN PROGRAM

A. INTRODUCTION

The purpose of the National Direct Student Loan Program (NDSL) is to "assist in the establishment and maintenance of low interest long-term deferred loan programs at institutions of postsecondary education, for use by students demonstrating need for financial assistance in order to pursue their courses of study at such institutions." In accordance with the Program Management Guidelines, institution must comply with the legal statutes, the "General Provisions Relating to Student Assistance Programs" found in Title IV-F of the Higher Education Act of 1965, as amended (20 U.S.C. 1088-1088g, "General Provisions"), and any regulations, as they become effective, implementing those statutory requirements.[1] Institutions, participating as NDSL lenders agree to (1) capitalize at least 10 percent of the fund, and (2) fulfill its legislative mandate, by managing the program according to Federal guidelines. Each of these areas of responsibility will be discussed in turn.

Source of Funds

When an institution decides to participate in the NDSL program, it enters into a legally binding contractual relationship with the U.S. Commissioner of Education whereby the latter provides the participating institution with up to 90 percent of the funds necessary to capitalize an NDSL program, and then replenish the funds annually as necessary (but in accordance with program guidelines) to maintain the viability of the program. The goal of the Federal government is to have each participating institution achieve a "self-rotating status," in which a steady state is reached whereby the amount loaned each year is balanced by the amount received in loan repayments, thus requiring no additional contribution from the Federal Treasury. However, since loan repayments follow by several years the initial loan and are spread out over a number of years, the achievement of a self-rotating status may not be accomplished in the short-run. The achievement of this goal is also contingent upon the success of the institution in managing its collections.

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[1] Summaries of the guidelines appear in U.S. Department of Health, Education, and Welfare, Student Financial Aid, 1977-78 Handbook. Summaries of regulations in effect in the 1978-79 academic year appear in the Federal Register, Vol., 43, No. 165, August 24, 1978.

Federal Management Guidelines

The Federal guidelines for management of the NDSL program entail very specific procedures which, by virtue of the institutional agreement with the Commissioner of Education, schools are required by law to follow. These procedures are designed to aid the institution in managing the NDSL program, and to side-step potential difficulties before they emerge.

The present guidelines, as written, are not only easy to understand, but contain requirements for repeating specific procedures at critical phases of the loan process, thus minimizing the impact of human error on the operation and financial viability of a program. Institutional compliance with the Federal guidelines involves about a dozen separate key elements for NDSL program management which fall into two main areas of management responsibility, counseling and record keeping.

Federal guidelines require that schools conduct both pre-loan counseling and exit interviews. They are also encouraged to conduct additional counseling as they deem necessary. In terms of pre-loan counseling, the guidelines stipulate that:

> ...It is essential to the sound administration of the loan programs that borrowers have as complete an understanding as possible of their responsibilities and rights under the programs. It is strongly

> recommended that either individual or group counseling sessions be held with the borrowers prior to advancing the loan. Pre-counseling sessions should clearly set forth the nature and purpose of the program, clearly indicating the borrower's obligation to repay. Each borrower must be given a copy of the Promissory Note which sets forth the terms of repayment along with the borrower's rights and obligations.[2]

The Federal position on preloan counseling is very clear then; full information with regard to the student borrower rights, obligations, and terms of repayment is to be conveyed to the prospective borrower prior to the loan's being made, including the receipt of a copy of the Promissory Note.

The Promissory Note is the legally binding document between the student borrower and the institutional lender. It is evidence of indebtedness and, by signing the Promissory Note, the student enters a contractual relationship and acknowledges the receipt of the loan; the rights and obligations as a borrower; and the terms of repayment, deferment, and cancellation. Therefore, the guidelines again call for counseling at the time the loan is made but prior to the initial disbursement. The regulations state that:

> ...before an institution makes its first disbursement to a student, it must have one of its employees meet personally with that student to insure that the borrower understands his or her obligations under the loan, including the obligation to apply the proceeds only to educational expenses and the obligation to repay the loan. The interview may be held individually with each borrower, or with groups of borrowers.[3]

Clearly, counseling before and during the making of the loan are regarded as important management functions of the institution by the Federal government. By the same token, a great deal of importance is placed on counseling at the time the student borrower leaves the institution either at the end of his or her course of study or at the time of withdrawal prior to graduation. The NDSL regulations state that an institution must, if possible, conduct an exit interview with each borrower before the borrower leaves the institution and, insofar as feasible, these interviews must be conducted on an individual basis. However, if individual interviews are not feasible, a group interview is permitted.

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[2] U.S. Department of Health, Education, and Welfare, Student Financial Aid, 1977-78 Handbook, p. 8-7.

[3] Federal Register, Vol. 43, No. 165, August 24, 1978, p. 37915

During the exit interview, institutions must provide borrowers with a detailed explanation of their rights and obligations. Borrowers also must be informed of their obligation to repay the loan in accordance with the payment schedule. Furthermore, the school must inform borrowers that it is their responsibility to inform the institution of any change of address; each borrower must know the full amount of his or her loan and the interest rate; and each borrower must know the amount of the first payment and the date it is due. Deferment and cancellation possibilities should also be detailed in exit interview sessions.

Recordkeeping seems to play an important role in ensuring that institutions are able to collect the highest possible portion of their outstanding notes. Alan Maynard, the Bursar at Brown University, states in the Journal of Student Financial Aid that:

> ...collections are just as dependent on good records as reports (i.e., reports to OE), and no evaluation of the collection effort at a particular institution can be made independently of those records and procedures. If colleges and universities, therefore, are having difficulty with collections, it behooves them to look at every phase of their record-keeping to be sure that it is accurate, reliable, and accessible before proceeding further.[4]

There are a number of necessary and required record-keeping practices. These include:

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[4] Maynard, Alan P. "Suggestions for Improving Student Loan Billing Techniques," Journal of Student Financial Aid, Vol. 4, No. 2, June 1974, pp. 15-22.

- maintenance of the borrower's current address and enrollment status while in school;
- ensuring that borrowers notify the financial aid office upon leaving school;
- maintenance of viable communication with the registrar's office for communicating when a borrower does leave the institution;
- maintenance of the borrower's current address, after the borrower has left school;
- communication with the graduated or terminated borrower during the grace period;
- collecting from borrowers after the grace period is terminated; and
- locating "lost" borrowers, and collecting from delinquent accounts.

While the student is in school the participating institution is required to provide for the exchange of information among all appropriate institutional offices, e.g., the registrar, student financial aid, business, and alumni offices. This exchange will enable the institution to determine: (1) the date the borrower will graduate so that an exit interview may be scheduled; or (2) whether a student has left school without proper notice so that it may mail the borrower the required information.

Once the student leaves school, however, the responsibility of the institution continues. For each departing borrower, there is a nine-month grace period, at the end of which repayment begins. During the grace period the school must:

- 90 days into the grace period, transmit to the borrower, in writing, the very same information it was required to communicate during the exit interview, as well as any other information necessary to satisfy Truth-in-Lending Act regulations;
- 180 days into the grace period, notify the borrower of the date the borrower's grace period ends; and
- at least 30 days before the first payment is due, notify the borrower of that due date and amount.

In the case of students leaving the institution without notice and therefore without receiving an exit interview, schools must also mail the borrower a copy of the promissory note and two copies of the repayment schedule, and must request the borrower to sign and return one of the copies of the repayment schedule.

As the grace period comes to a close, there is still another series of steps the institution is mandated to follow before it can commence collection.

- the institution must send each borrower a letter of notice and a statement of account at least 30 days before the date on which the first repayment installment is due, and a statement of account at least 10 days before the due date of each payment after the first;
- if a payment or a deferment or cancellation form is not received within 15 days of its due date, the institution must contact the borrower to demand payment (first overdue notice);
- within 30 days of the date of the first overdue notice, if the borrower does not respond satisfactorily, it must contact the borrower again by telephone or in writing (second overdue notice);
- within 15 days of the date of the second overdue notice, if the borrower does not respond satisfactorily, it must contact the borrower by telephone or mailgram (third overdue notice); and
- within 15 days of the third overdue notice, if the borrower does not respond satisfactorily, it must send the borrower a final demand letter. The final demand letter must tell the borrower that the loan will be referred for collection or litigation if the appropriate payment or loan is not received within 30 days.

If the institution is not able to locate the borrower or if it has not received any acknowledgement of its correspondence from the borrower (e.g., letters have been returned as undeliverable by the post office), it must embark on a diligent effort to determine the borrowers whereabouts. Such an effort, known as skip-trace, involves investigations into the borrowers past residences, acquaintances, and family with an eye towards establishing the current location of the borrower. Skip-trace activities may be undertaken by institutional loan or aid offices and/or commercial skip-tracing organizations hired by the institution.

Delinquency

Legally, a borrower is considered to be delinquent if the principal amount outstanding on direct or defense loans is in default for 120 days if repayment is in monthly installments, and 180 days if repayable in less frequent installments. Once delinquency occurs, an institution must engage a collection agency or bring suit against delinquent borrowers if these criteria are met: all reminder notices must have been sent and the institution is certain of the borrower's whereabouts.

If the institution has complied with the procedures incumbent upon it as an NDSL participant and the loan at this point is still in default, the following has taken place:

- the borrower has had an exit interview, or has been mailed comparable information;
- the borrower has been contacted three times during the grace period;
- the borrower has been sent three notices subsequent to the first payment date;
- the borrower has been sent a warning of collection or litigation effort;
- skip-trace activities has been conducted, if the borrower could not initially be contacted; and
- the borrower has been notified of the intent to seek collection, satisfactory explanation, or suit.

The institution is mandated to bring suit against the borrower (or against any proper endorser) if collection efforts have failed, it is determined that the borrower has assets which may cover all or substantially all of the outstanding obligations, the borrower has no known defense or satisfactory explanation of the delinquency, the borrower's whereabouts are known, so that he/she can easily be served, and that the amount outstanding exceeds $500. The institution at its discretion may elect to bring suit against the borrower even if all of these conditions are not satisfied.

Clearly, institutions participating in the NDSL Programs have a substantial series of mandated procedures to follow ranging from the preloan counseling through potential legal action for collection of delinquent accounts. It is therefore not surprising that many participating institutions report that compliance with these procedures is difficult and that default rates have been reported which are correspondingly high. Recently, USOE has implemented a program, at the urging of then Secretary of Health, Education and Welfare, Joseph Califano, whereby schools can refer certain delinquent borrowers to USOE which will assume collection responsibilities. This procedure was initiated in response to institutional pleas for assistance in collecting from "hard-core" defaulters. Additionally, those borrowers referred to USOE can have their names removed from institutional default roles, thus lowering the school's calculated default rate. The next section briefly reviews some of the key issues surrounding compliance and loan default.

B. COMPLIANCE AND DEFAULT

There are essentially six groups of interrelated issues which are to be addressed as part of the analysis of this chapter. A brief discussion of each will be undertaken prior to presenting findings of the research into each of the issues.

Compliance With Guidelines

In the description of the NDSL program above, the full panorama of procedures with which participating institutions are supposed to comply is itemized. The first issue is therefore to establish the extent of the compliance (and noncompliance) with each procedure and to determine whether noncompliance is pervasive across all procedures or whether some of the guidelines are more susceptible to noncompliance than others. The next issue is to explore the extent to which school types differ in their compliance with guidelines.

The Compliance-Default Relationship

One of the often stated results of noncompliance with the required NDSL procedures is an inflated rate of default on the NDSL repayments. The second issue, is to explore the relationship of noncompliance to the rate of default on NDSL repayments. This issue involves, not only a one-on-one examination of the compliance with specific required procedures and the corresponding default rate by type of school, but also an examination of the clustering of procedures where noncompliance is associated with the overall school default rate. This latter approach specifically recognizes the interactive nature of the impacts of noncompliance on the overall default rate by type of school. Finally, this issue includes the identification of the differences in noncompliance profiles between those schools (by type) with high default rates and low default rates.

Characteristics of Institutions

School types differ in a variety of ways which may have a bearing on the NDSL program. They differ, for example, in cost which, in turn, affects the need for loans. They also differ in the level of effort of the financial aid office, measured in terms of the number of NDSL recipients per worker. If systematic differences in cost, level of effort, etc., exist between school types, then these differences will have to be kept in mind in exploring the relationship between compliance and default.

Default Rates and the Cost of Education

This issue is raised because the tuition and fee policy of the school affects the number of students requiring loans, the size of the NDSL loans, the students' abilities to pay, and the eventual default rate of the school. In order to address this issue, the cost of education by type of school will be correlated with the default rate, with the expectation that the cost of education, standardized by type of school, will positively influence the default rate.

Default Rates and the Level of Effort

There is some concern that the root cause of noncompliance, and therefore excessive default rates by type of school, is the workload borne by the financial aid office (FAO) staff which is attributable to NDSL. The data are presented in Chapter 2 concerning the size of FAO staff and the per staff member NDSL recipient workloads faced by the financial aid offices of different types of schools can be correlated with the default rates calculated by type of school. It is expected that, at some point, increasing workloads will produce identifiable impacts (i.e., increases) on the schools' default rates.

Care must be exercised, however, in the interpretation of the measure of the level of effort of the financial aid office because this same measure, NDSL recipients per worker, may be a measure of staff productivity. That is, more recipients per worker may be a sign of greater efficiency in the processing of NDSL applications, offers, awards and collections and may not necessarily mean that less attention is paid to each recipient. Nonetheless, it is reasonable to expect that workloads increased beyond a critical point will be associated with higher default rates.

A further word of caution is in order because no program specific staffing information is available from the institutional mail survey. The earlier analysis of the site visit data showed that there was a great deal of variability in the proportion of staff time allocated to the NDSL program. Unfortunately, we are forced to tacitly assume that the total staff size is a reasonable proxy for the size of the NDSL staff, measured in person-years.

School-Specific Delinquency Definitions

There is a standard definition for repayment delinquency under the NDSL program. The definition is in terms of the number of days an account is in arrears. Some schools employ definitions which, in fact, deviate from this standard in one direction or another. These alternative definitions are used to initiate actions in the financial aid office so that the collection activities of the financial aid office should be more aggressive or less aggressive than expected, depending on whether the alternative definition is more restrictive or less restrictive than the standard definition. Therefore, this effect should manifest itself in high default rates (using the standard definition of delinquency) being associated with those schools delaying remedial action and low default rates being associated with those schools hastening collection activities.

C. RESULTS - PART 1

Before exploring the compliance issue, a brief review of institutional characteristics is in order. This is presented in the first part of Table 7.C.1. As has been observed in Chapter 2 and elsewhere, private schools tend to have higher tuition and fees than public schools and proprietary schools cost about the same as 2-year private schools. Here we note that these higher costs result in a higher proportion of the student body receiving NDSL loans. On average, 29 percent of all students attending proprietary schools which participate in NDSL receive such loans. Eighteen percent of all students in 4-year private schools receive NDSL loans as compared to only 12 percent in 4-year public schools; and 12 percent of all students in 2-year private schools have NDSL loans as opposed to only five percent in the 2-year public schools. These facts are offset somewhat by the fact that public schools tend to be much larger than their private counterparts so that the average number of loan recipients is higher in public than in private institutions.

We have been noting significant differences between the public and private schools, but for some traits, the significant differences are between the 4-year schools, both public and private, and the 2-year schools. For example, 47 to 48 percent of the 4-year schools are academically selective in their admissions policies while hardly any 2-year schools are selective. Also, 4-year schools have lower levels of effort (or high productivity per worker) as measured by the ratio of NDSL recipients to financial aid office workers.

TABLE 7.C.1: CHARACTERISTICS OF INSTITUTIONS PARTICIPATING IN NDSL, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79 1/

	INSTITUTIONAL LEVEL AND CONTROL					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Tuition Plus Fees 2/	$1,461.8 (406)	$631.3 (151)	$2,469.2 (154)	$367.8 (53)	$1,742.0 (23)	$1,786.6 (25)
Size 3/	3,626.9 (409)	7,384.1 (152)	1,953.9 (155)	5,719.1 (155)	610.5 (23)	401.5 (26)
Percent Selective 4/	24.5 (414)	34.1 (153)	47.0 (155)	5.0 (53)	0.0 (24)	0.0 (29)
Number of NDSL Recipients 5/	308.3 (414)	724.9 (153)	304.3 (155)	180.9 (53)	66.1 (24)	75.8 (29)
Percent of Student Body Receiving NDSL's 6/	15.0 (409)	11.8 (152)	18.1 (155)	4.7 (53)	12.0 (23)	28.9 (26)
NDSL Recipients per Financial Aid Office Worker 7/	49.5 (378)	69.6 (144)	62.5 (139)	32.1 (49)	24.5 (21)	27.5 (25)
Percent Counseling Prior to Award But Not at Time of Award	21.5 (412)	27.5 (151)	20.9 (155)	25.2 (53)	12.1 (24)	13.3 (29)
Percent Counseling at Time of Award But Not Prior to Award	17.4 (412)	16.9 (151)	20.0 (155)	22.9 (53)	25.5 (24)	2.5 (29)
Percent Counseling Prior to and at Time of Award 8/	57.5 (412)	47.6 (151)	56.3 (155)	47.9 (53)	58.1 (24)	84.2 (29)
Percent Not Counseling	3.7 (412)	8.0 (151)	2.8 (155)	4.1 (53)	4.3 (24)	0.0 (29)
Percent Providing a Statement With Every Loan Offer	93.1 (429)	87.5 (145)	93.8 (151)	96.4 (52)	91.6 (52)	93.6 (29)
Percent of Recipients Departing Without an Exit Interview 9/	10.7 (391)	16.3 (139)	8.0 (150)	14.1 (50)	5.6 (23)	7.5 (29)
Percent Detecting Departures by Start of Next Term 10/	74.6 (413)	81.9 (152)	78.0 (155)	80.7 (53)	70.9 (24)	51.7 (29)

1/ The number of institutions reporting is given in parentheses.

TABLE 7.C.1: CONTINUED

2/ Tuition

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	81,159,328.00	210.49	4-Year Public	F=654.99	-	F = 63.57	F = 52.71
Within Groups	390	385,577.50	(0.00)	4-Year Private		F = 450.82	F = 27.42	F = 18.49
Total	394			2-Year Public			F = 78.55	F = 67.20

3/ Size

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	738,810,112.00	32.07	4-Year Public	F = 96.58	-	F = 39.61	F = 32.25
Within Groups	393	23,035,440.00	(0.00)	4-Year Private		F = 24.31	-	-
Total	397			2-Year Public			F = 18.17	F = 15.80

4/ Selectivity

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	3.00	15.06	4-Year Public		F = 17.63	F = 12.77	F = 10.89
Within Groups	397	0.19	(0.00)	4-Year Private		F = 37.31	F - 24.42	F = 20.81
Total	401							

TABLE 7.C.1: CONTINUED

5/ Recipients

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	6,102,745.00	22.13	4-Year Public	F = 48.72	F = 41.94	F = 32.52	F = 26.93
Within Groups	397	275,815.06	(0.00)					
Total	401							

6/ Percent of Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.30	20.07	4-Year Public	F = 20.28	F = 13.02	-	F = 29.88
Within Groups	393	0.01	(0.00)	4-Year Private		F = 47.49	-	F = 11.91
Total	397			2-Year Public			-	F = 50.38
				2-Year Private				F - 18.72

7/ Recipients per Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	23508.46	12.44	4-Year Public		F = 26.95	F = 19.66	F = 13.46
Within Groups	362	1890.36	(0.00)	4-Year Private		F = 17.70	F = 13.97	F = 9.31
Total	366							

TABLE 7.C.1: CONTINUED

8/ Counseling Both Times

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.69	2.80	4-Year Public	-	-	-	F = 9.64
Within Groups	395	0.24	(0.03)					
Total	399							

9/ No Exit Interview

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	1,612.78	6.79	4-Year Public	F = 20.53	-	F = 9.56	-
Within Groups	375	237.66	(0.00)					
Total	379							

10/ Detect Departures

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	0.44	2.61	4-Year Public	-	-	-	F = 9.46
Within Groups	396	0.17	(0.03)					
Total	400							

Compliance with Guidelines

In order to comply with the NDSL guidelines institutions must, as previously noted, perform a number of specific procedures. These can be categorized into two main groups: counseling and collections. Furthermore, as described earlier, counseling takes place at a variety of times throughout the loan award and repayment process. Table 7.C.1 shows that only half of the schools report that they counsel applicants both prior to and at the time of the loan. Counseling more than once tends to be prevelant at the proprietary schools (87%) and is done by the majority of private schools (56 to 58%). Surprisingly, eight percent of the 4-year public schools and three to four percent of all other institutions (with the exception of proprietary schools) state that they provide no counseling before the loan is made in clear violation of their contract with the Commissioner of Education. Compliance with the counseling guidelines is highest in the proprietary schools.

Schools are also required to provide a statement of borrower rights and responsibilities with every loan offer and the vast majority do so (87 to 96%). Again, compliance appears to be lowest at the 4-year public schools, but the differences between school types are not statistically significant.

Counseling, of course, does not end with the initial award of the student loan. The next key counseling activity is the exit interview. All schools reported that they hold exit interviews with students. While all schools claim to conduct exit interviews, some loan recipients may still leave school without such an interview. Missed exit interviews are most common in the public schools where 14 to 16 percent of loan recipients fail to get such an interview. Schools may be unable to administer exit interviews to all NDSL recipients because some borrowers drop out of school without going through formal severance of their relationship with the school and because some borrowers fail to appear for a scheduled interview session. In Chapter 6, it was noted that formal communication procedures between the registrar's office and the financial aid office are found in between two-thirds and four-fifths of the schools. Such communication is most common in public schools and least common in 2-year private schools and proprietaries. Consistent with these observations is the fact that public schools detect more unannounced departures by the start of the next term than do any other types of schools. But, it is not clear that an early dropout detection system is effective in increasing the percentage of recipients receiving exit interviews. The detection system identifies recipients after they have departed so that the opportunity for an exit interview is lost. In spite of this, of course, early detection is still preferable to late detection, especially regarding the location of the borrower. The number of unannounced departures upgrades the importance of the preaward and on-receipt counseling, since these may be the only times when contact with the recipient is assured.

The last set of compliance activities involves the handling of delinquent borrowers. Table 7.C.2 shows the number of days after which action is initiated, the techniques used to induce repayment and the action taken in the event that the defaulter cannot be located. All types of schools wait approximately 100 days after the due date of the missed payment before initiating collection activities. Proprietary institutions take action a little sooner, waiting only 71 days on average. The first action taken is, typically, to send a strongly worded letter warning of possible legal action. Eighty-one to 91 percent of all schools send such a letter. The most widely used technique to induce repayment is to place the problem in the hands of a professional collection agency. (Given changes in NDSL regulations that took full effect after the Institutional Mail Survey it is reasonable to suppose that many delinquent accounts are now turned over directly to the Department of Education.) Only 83 percent of the 2-year public schools employ collection agencies while 93 to 97 percent of all other types of institutions do so.

The task of collection is seriously compounded when the school looses track of the loan recipient's current whereabouts. The schools which are least successful in keeping in touch with defaulters are the 2-year

TABLE 7.C.2: SELECTED PROCEDURES USED TO DEAL WITH NDSL DELINQUENCY, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79 1/

	INSTITUTIONAL LEVEL AND CONTROL					
	ALL	4-Year Public	4-Year Private	2-Year Public	2-Year Private	Proprietary
Number of Days After Which Borrower is "Delinquent"	96.6 (387)	101.4 (142)	100.7 (149)	100.9 (48)	115.3 (21)	71.0 (27)
Percent Sending Warning Letter(s)	85.6 (402)	91.1 (145)	87.5 (155)	81.0 (52)	79.4 (24)	82.9 (26)
Percent Imposing Penalty Charges	19.1 (402)	23.6 (145)	21.3 (155)	17.5 (52)	20.6 (24)	9.7 (26)
Percent Turning Account Over to an Attorney	36.5 (402)	41.1 (145)	34.1 (155)	34.6 (52)	30.2 (24)	38.9 (26)
Percent Turning Account Over to a Collection Agency	94.2 (402)	95.8 (145)	93.2 (155)	94.9 (52)	83.0 (24)	97.2 (26)
Percent of Defaulters Whose Addresses are not Known 2/	18.2 (366)	17.8 (134)	14.6 (145)	25.3 (43)	15.2 (19)	18.9 (25)
Percent Using School Skip-Trace Only 3/	16.2 (397)	23.6 (145)	14.7 (151)	13.7 (51)	34.2 (23)	9.0 (27)
Percent Using Commercial Skip-Trace Only	36.1 (397)	26.8 (145)	35.9 (151)	42.5 (51)	34.9 (23)	38.8 (27)
Percent Using School and Commercial Skip-Trace	43.7 (397)	43.4 (145)	48.8 (151)	43.8 (51)	31.0 (23)	36.7 (27)

1/ The number of institutions reporting is given in parentheses.

TABLE 7.C.2: CONTINUED

2/ Addresses Unknown

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	4	902.5261	2.34	4-Year Private		F = 8.81	-	-
Within Groups	352	419.5461	(0.05)					
Total	356							

3/ School Skip-Trace

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	4	0.36	2.40
Within Groups	380	0.15	(0.05)
Total	384		

public and the proprietary institutions, losing, respectively, the current addresses of 25 percent and 19 percent of all defaulters. Private and 4-year public schools do not know the current address of only 15 to 17 percent of their defaulters. Once it is determined that the financial aid office and/or the bursar's office has lost track of a defaulter, the school resorts to its own skip-trace activities and/or to commerical skip-trace companies. All schools report using some form of skip-trace. Recourse to commerical skip-trace companies (often used in combination with the school's own skip-trace activities) is the prevelant practice except among 2-year private schools, 34 percent of which rely exclusively on their own resources. Numerous critics of NDSL as it is presently administered note that skip-trace activities are beyond the normal functions of an educational institution and that this function can best be performed by the Internal Revenue Service, an agency of the Federal government which has a mandate to keep track of the locations of our highly mobile adult population.

In summary, there are a large number of activities that a school must undertake in order to be in compliance with NDSL guidelines. Given that the scope of these activities are beyond the activities considered to be traditionally performed by postsecondary institutions. It is not surprising then to find that compliance with these procedures is very mixed. Compliance is fairly low in the area of preaward and contemporary-award counseling. Compliance increases with regard to exit interviews, although a substantial number of exiting students are still missed. Compliance again increases with regard to delinquent account activities.

In general, even if full compliance were observed (and it isn't), a great deal of concern would remain regarding the quality of the activities undertaken. The data available for this study do not allow consideration of the qualitative of the services aspects. In spite of this, there is a tendency to try to identify where compliance (both qualitative and quantitative) is superior. The above statistics imply that compliance is highest among private institutions and worst amongst 4-year and 2-year public institutions (although this varies, depending on which statistics are examined).

The key, however is not how high the rate of compliance is per se, because regulatory compliance is only an intermediate goal (or at least it should be). Among the goals of the NDSL program are equitable distribution of financial aid (discussed in Volume II of the Institutional Site Visit Report) and the efficient operation of the program in terms of a reasonable (a low) default rate. Whether such a measure of efficiency is systematically related to the nature and extent of regulatory compliance is the subject of the analysis in the next section of this chapter.

The Compliance-Default Relationship

For purposes of this analysis, default rates are defined as the amount of NDSL funds currently in default divided by the amount of NDSL funds currently in repayment status (excluding funds loaned to students currently enrolled, still in the grace period, or for whom the debt has been cancelled or deferred). Note that this definition embodies the NDSL completing and collections activities of the school over a number of years, so that any attempt to correlate the default rate, as calculated with current guideline compliance, runs the risk of substantial confounding, unless the degree of compliance has been constant throughout the history of the NDSL program at each school -- a very unlikely event. However, if there is actually a strong relationship between regulatory compliance and eventual loan default, an attempt to measure this relationship, even under the circumstances described above, should exhibit some systematic association. That is, if there is a strong association, one should be able to measure some of the association in spite of the historical complications. If the underlying relationship is not strong, the confounding influences are likely to render any relationship unmeasurable with the existing data.

Table 7.C.3 presents the overall default rates by level and control of school. This table clearly exhibits a substantial range of default rates. The 2-year public schools clearly have the highest default rates, followed closely by proprietary institutions, then the 2-year private and, finally, the 4-year public and private institutions (whose default rates are almost half that found among the 2-year public schools). Unfortuately for the analysis, the number of observations for proprietary schools and two year schools will restrict or prohibit analysis of the causes of the observed levels of NDSL default.

Tables 7.C.4, 7.C.5 and 7.C.6 present the default rates associated with various school characteristics and compliance items.

The default rates in Tables 7.C.4, 7.C.5., and 7.C.6 exhibit few systematic patterns but some patterns do stand out clearly. For example, schools which have a selective admissions policy consistently have a lower default rate than nonselective schools. Also, schools where a high proportion of the student body receives NDSL awards have lower default rates than schools where fewer students receive such loans. This result may reflect the fact that institutions with higher numbers of NDSL borrowers will retain professional and nonprofessional staff whose sole responsibility is NDSL administration. Thus, these personnel gain more expertise and emerge as better administrators of the NDSL program.

In addition, schools with fewer NDSL recipients per financial aid office worker, consistently have a higher default rate than schools with more receipients per worker. This pattern is contrary to our expectations and lends support to the argument that more recipients per worker may be a measure of the experience and efficiency of the workforce and may not necessarily mean that less attention is given to each recipient.

Surprisingly, counseling and the provision of a statement with every loan offer appear to have no significant effects on the default rate. (The lowest default rates are associated with no counseling or prior counseling only, but these associations are not statistically significant.) The percent of recipients not receiving an exit interview

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TABLE 7.C.3: NDSL DEFAULT RATES, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79 1/

	INSTITUTIONAL LEVEL AND CONTROL				
	All	4-Year Public	4-Year Private	2-Year Public	2-Year Private
Mean Default Rate 2/	19.1	17.0	15.6	27.9	19.1
25% of Institutions Have a Default Rate Less than or Equal to	10.3	8.5	8.8	18.0	14.0
25% of Institutions Have a Defaulty Rate Greater than or Equal to	32.9	22.2	18.1	35.0	22.0
Institutions Reporting	339	134	149	40	20

1/ The default rate is defined as the amount of NDSL funds currently in default expressed as a percentage of NDSL funds currently in repayment status (this excludes funds loaned to students currently enrolled, still in the grace period, or for whom the debt has been cancelled or deferred.

2/ Mean Default Rate

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		4-Year Private	2-Year Public	2-Year Private	Proprietary
Between Groups	3	0.16	12.27	4-Year Public	-	F = 28.67	-	-
Within Groups	335	0.01	(0.00)	4-Year Private		F = 37.99	-	-
Total	338			2-Year Public			F = 8.20	-

TABLE 7.C.4: NDSL DEFAULT RATES ASSOCIATED WITH CHARACTERISTICS OF INSTITUTIONS, BY INSTITUTIONAL LEVEL AND CONTROL: ACADEMIC YEAR 1978-79 1/

	INSTITUTIONAL LEVEL AND CONTROL		
	ALL	4-Year Public	4-Year Private
Tuition Plus Fees Less Than or Equal to Mean	19.6 (174)	10.0 (61)	15.5 (78)
Tuition Plus Fees Greater than Mean	18.5 (169)	11.8 (73)	15.6 (71)
Size Less Than or Equal to Mean	18.7 (234)	14.5 (84)	16.0 (113)
Size Greater Than Mean	19.9 (109)	7.3 (50)	14.3 (36)
Selective	2/ 14.0 (142)	3/ 13.9 (67)	4/ 12.8 (76)
Not Selective	2/ 21.5 (201)	3/ 18.8 (67)	4/ 18.2 (76)
Number of NDSL Recipients Less Than of Equal To Mean	19.7 (137)	18.3 (52)	16.2 (33)
Number of NDSL Recipients Greater Than Mean	17.5 (137)	14.7 (52)	13.9 (66)

1/ Default rate is defined as funds in arrears expressed as a percentage of funds in collection status.

The number of observations on which the default rate is based is given in parentheses.

The mean values used as break points are those reported in Table 6.A.1. They are based on the entire NDSL sample, not just those institutions for which default rates are available.

Data are presented for all institutions participating in NDSL and for 4-Year Public and 4-Year Private schools. Data are not presented for other institution types because of the small number of institutions in each cell. These other institution types are included in the "All" column.

TABLE 7.C.4: CONTINUED

2/ Selective

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.28	19.01
Within Groups	222	0.01	(0.00)
Total	223		

3/ Selective

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.07	5.88
Within Groups	127	0.01	(0.02)
Total	128		

4/ Selective

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.11	9.36
Within Groups	147	0.01	(0.00)
Total	148		

TABLE 7.C.5: NDSL DEFAULT RATES ASSOCIATED WITH NDSL STUDENT SERVICES, BY INSTITUTIONAL LEVEL AND CONTROL, PART 1: ACADEMIC YEAR 1978-79 1/

	INSTITUTIONAL LEVEL AND CONTROL		
	ALL	4-Year Public	4-Year Private
Percent of Student Body Receiving NDSL's Less Than or Equal to Mean	2/ 21.8 (207)	18.2 (82)	6/ 18.1 (83)
Percent of Student Body Receiving NDSL's Greater Than Mean	2/ 14.8 (137)	14.9 (52)	6/ 12.7 (56)
NDSL Recipients per Worker Less Than or Equal to Mean	3/ 21.2 (205)	5/ 19.4 (76)	7/ 17.6 (85)
NDSL Recipients per Worker Less Than or Equal to Mean	3/ 15.4 (138)	5/ 13.8 (58)	7/ 12.6 (64)
Counsel Prior to Award but Not at Time of Award	17.0 (75)	16.7 (33)	13.0 (30)
Counsel at Time of Award but Not Prior to Award	19.0 (68)	15.8)23)	16.4 (32)
Counsel Prior to and at Time of Award	20.3 (178)	18.1 (63)	16.4 (82)
Do Not Counsel	15.1 (20)	15.0 (13)	12.9 (5)
Provide Statement with Every Loan Officer	19.3 (305)	17.2 (112)	15.7 (135)
Do Not Provide Statement with Every Loan Officer	17.2 (25)	18.3 (14)	14.8 (10)
Percent of Recipients Not Receiving Exit Interview Less Than or Equal to Mean	4/ 17.8 (23)	16.7 (86)	14.1 (103)
Percent of Recipients Not Receiving Exit Interview Greater Than Mean	4/ 21.8 (113)	17.5 (48)	19.1 (46)
Detect Departures by Start of Next Term	19.7 (272)	16.9 (109)	16.1 (115)
Do Not Detect Departures by Start of Next Term	16.8 (70)	17.7 (24)	13.6 (34)

1/ Default rate is defined as funds in arrears expressed as a percentage of funds in collection status.

The number of observations on which the default rate is based is given in parentheses.

The mean values used as break points are those reported in Table 6.A.2. They are based on the entire NDSL sample, not just those institutions for which default rates are available.

Data are presented for all institutions participating in NDSL and for 4-Year Public and 4-Year Private schools. Data are not presented for other institution types because of the small number of institutions i each cell. These other institution types are included in the "All" column.

TABLE 7.C.5: CONTINUED

2/ Percent of Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.26	17.69
Within Groups	222	0.01	(0.00)
Total	223		

3/ Recipients per Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.17	11.50
Within Groups	222	0.01	(0.00)
Total	223		

4/ No Exit Interview

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.07	4.88
Within Groups	222	0.01	(0.03)
Total	223		

5/ Recipients per Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.10	8.48
Within Groups	127	0.01	(0.00)
Total	128		

6/ Percent of Students

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.11	9.18
Within Groups	147	0.01	(0.00)
Total	148		

7/ Recipients per Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.09	7.55
Within Groups	147	0.01	(0.01)
Total	148		

8/No Exit Interview

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.08	6.76
Within Groups	147	0.01	(0.01)
Total	148		

TABLE 7.C.6: NDSL DEFAULT RATES ASSOCIATED WITH NDSL STUDENT SERVICES, BY INSTITUTIONAL LEVEL AND CONTROL, PART 2: ACADEMIC YEAR 1978-79 1/

	INSTITUTIONAL LEVEL AND CONTROL		
	ALL	4-Year Public	4-Year Private
Days After Which Borrower is Delinquent Less Than of Equal to Mean	18.5 (157)	16.9 (59)	14.1 (72)
Days After Which Borrower is Delinquent Greater than Mean	19.5 (186)	17.1 (75)	16.8 (77)
Sent Warning Letter	2/ 18.3 (291)	16.8 (115)	6/ 14.9 (129)
Do Not Send Warning Letter	2/ 24.3 (45)	21.7 (12)	6/ 20.3 (20)
Impose Penalty Charges	18.4 (70)	18.1 (28)	13.6 (32)
Do Not Impose Penalty Charges	19.3 (266)	17.1 (99)	16.1 (117)
Turn Account Over to an Attorney	19.0 (129)	17.9 (54)	13.3 (54)
Do Not Turn Account Over to an Attorney	19.2 (207)	16.9 (73)	16.8 (95)
Turn Account Over to Collection Agency	19.2 (315)	17.4 (122)	15.7 (138)
Do Not Turn Account Over to Collection Agency	17.8 (21)	13.5 (5)	13.3 (11)
Percent of Defaulters with Unknown Addresses Less Than or Equal to Mean	3/ 17.3 (243)	5/ 14.4 (96)	7/ 13.2 (101)
Percent of Defaulters with Unknown Addresses Greater Than Mean	3/ 23.2 (100)	5/ 22.8 (38)	7/ 20.2 (48)
Use School Skip-Trace Only	4/ 17.2 (16)	15.5 (28)	12.5 (21)
Use Commercial Skip-Trace Only	4/ 22.1 (11)	21.5 (30)	17.1 (56)
Use School and Commercial Skip-Trace	4/ 17.2 (149)	15.6 (60)	14.7 (67)

1/ Default rate is defined as funds in arrears expressed as a percentage of funds in collection status.

The number of observations on which the default rate is based is given in parentheses.

The mean values used as break points are those reported in Table 6.A.2. They are based on the entire NDSL sample, not just those institutions for which default rates are available.

Data are presented for all institutions participating in NDSL and for 4-Year Public and 4-Year Private schools. Data are not presented for other institution types because of the small number of institutions in each cell. These other institution types are included in the "All" column.

TABLE 7.C.6: CONTINUED

2/ Warning Letter

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.09	6.10
Within Groups	219	0.01	(0.01)
Total	220		

3/ Unknown Address

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.16	11.04
Within Groups	222	0.01	(0.00)
Total	223		

4/ Skip-Trace

Source of Variation	D.F.	Mean Square	F Ratio (Probability)		School Skip-Trace	Commercial
Between Groups	3	0.04	2.60	Both	-	F = 6.848
Within Groups	212	0.01	(0.05)			
Total	215					

5/ Unknown Address

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.20	17.37
Within Groups	127	0.01	(0.00)
Total	128		

6/ Warning Letter

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.04	3.81
Within Groups	147	0.01	(0.05)
Total	148		

7/ Unknown Address

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.16	14.35
Within Groups	147	0.01	(0.00)
Total	148		

has the expected relationship with the default rate. The higher the percentage of borrowers who do not receive an exit interview, the higher the default rate. The difference in default rates is significant overall and is also significant for 4-year private schools. It appears that schools which are quick to take action against the borrower after missed payments have lower default rates than schools which postpone action, but the difference in default rates is not statistically significant. Other expected relationships which are statistically significant are: schools which send strong letters warning defaulters of legal action have lower default rates, and schools which loose track of the location of a high percentage of defaulters have higher default rates.

Clearly, gross relationships between regulatory compliance and default rates and selected program characteristics are difficult to detect. Therefore, in order to attempt to sharpen the measured relationships, a comparison of the distributional extremes (in terms of default rates) will be made, along with an attempt at multivariate analysis.

High Default Rate Schools Compared with Low Default Rate Schools

To this point, analyses of default rates using the full set of observations have not produced many definitive answers. This may be due to the influence of confounding factors that could not be accounted for through three- or four-way cross-tabulations (see the following section for a multivariate approach) or to weaknesses of the underlying relationship (as measured) due to the time dimension differences inherent in default rates and program operations and compliance variables (see the discussion above). In order to strengthen the perception of impacts of selected variables on default rates, profiles of high default rate schools were compared with profiles of low default rate schools. To do this, the average characteristics of those schools with default rates below the 25th percentile within each type of school were compared with the average characteristics of those schools of a corresponding type with default rates above the 75th percentile. Because of a lack of observations, only the 4-year schools could be included in this analysis.

The results presented in Tables 7.C.7 and 7.C.8 are consistent with those presented earlier. Once again the results are mixed but some systematic relationships emerge. For example, the percentage of the student body receiving aid is consistently higher at the schools with low default rates and the number of NDSL recipients per worker is consistently higher at the low default rate schools. As was found earlier, compliance with the counseling guidelines does not necessarily reduce the default rate. However, the exit interview is important; schools with low default rates consistently fail to conduct exit interviews with fewer departing borrowers than schools with high default rates. As expected, those schools which move quickly against those borrowers who miss a payment tend to have lower default rates, but this relationship is not statistically significant. The same pattern is evident for schools sending warning letters, those turning the account over to an attorney, and those employing institutionally based skip-trace methods; the relationships are consistently in the anticipated direction but are not statistically significant.

Finally, there are two other items for which the results are consistent across school types, are compatible with expected relationships and are statistically significant; the low default rate schools consistently lose track of a lower percentage of defaulters and are more likely to use both their own and commercial skip-trace services.

D. RESULTS - PART 1: MULTIVARIATE ANALYSIS OF DEFAULT RATES

In order to ascertain the net effect of the variety of potential explanatory factors presented for the NDSL default rates for the institutions in the survey, a multivariate (regression) approach was instituted. Through this method it is possible to jointly consider a wide selection of potential explanatory variables, an attempt that is impractical using a cross tabulation approach. Two regression runs were made in order to identify the subset of variables which had statistically meaningful influence on the NDSL default rate.

Table 7.D presents the results of the two regressions. The column designated B_1 contains beta coefficients, which are the number of

TABLE 7.C.7: COMPARATIVE PROFILES (MEAN STATISTICS) OF LOW AND HIGH NDSL DEFAULT RATE SCHOOLS, BY INSTITUTIONAL LEVEL AND CONTROL, PART 1: ACADEMIC YEAR 1978-79 1/

	INSTITUTIONAL LEVEL AND CONTROL					
	ALL		4-YEAR PUBLIC		4-YEAR PRIVATE	
	LOW 25%	HIGH 25%	LOW 25%	HIGH 25%	LOW 25%	HIGH 25%
Tuition Plus Fees	1,418.5(95)	1,458.0(96)	599.9(38)	642.8(39)	2,310.2(40)	2,437.6(41)
Size	3,138.5(596)	4,192.9(96)	5,278.2(38)	6,590.5(39)	1,771.4(41)	1,060.1(41)
Percent Selective	29.2(96)	25.2(96)	37.4(38)	21.8(39)	43.2(41)	34.2(41)
Number of NDSL Recipients	344.9(96)	283.3(96)	674.6(38)	544.0(39)	334.9(41)	6/ 239.9(41)
Percent of Student Body Receiving NDSL's	2/ 13.8(96)	2/ 9.8(96)	13.0(38)	10.5(39)	6/ 18.7(41)	6/ 12.3(41)
NDSL Recipients Per Financial Aid Office Worker	3/ 58.9(86)	3/ 38.7(85)	5/ 91.7(34)	5/ 57.9	66.4(35)	47.0(35)
Percent Counseling Prior to Award But Not At Time of Award	24.0(96)	16.0(96)	31.6(38)	28.5(39)	18.6(41)	8.6(41)
Percent Counseling at Time of Award But Not Prior to Award	21.0(96)	19.7(96)	14.1(38)	14.6(39)	20.8(41)	22.3(41)
Percent Counseling Prior to And At Time of Award	48.9(96)	61.7(96)	50.0(38)	53.3(39)	55.4(41)	65.1(41)
Percent Not Counseling	6.1(96)	2.7(96)	4.3(38)	3.5(39)	5.2(41)	4.1(41)
Percent Providing a Statement with Every Loan Offer	95.3(92)	95.2(93)	89.6(35)	92.6(37)	94.8(40)	95.7(40)
Percent of Recipients Departing Without an Exit Interview	4/ 9.5(91)	4/ 16.2(90)	10.5(35)	19.0(35)	7/ 5.1(40)	7/ 11.13(40)
Percent Detecting Departures by Start of Next Term	73.9(95)	79.9(96)	89.5(37)	77.7(39)	8/ 66.3(41)	8/ 85.9(41)

TABLE 7.C.7: CONTINUED

1/The number of institutions reporting is given in parenthesis. Data are presented for all institutions, and for 4-Year Public and 4-Year Private schools. Data are not presented for other institution types because of the small number of institutions in each cell. These other institution types are included in the ALL column.

2/ Percent Receiving NDSL's

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.04	4.82
Within Groups	112	0.01	(0.03)
Total	113		

3/ Recipients per Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	10,207.94	5.54
Within Groups	99	1,843.93	(0.02)
Total	100		

4/ No Exit Interview

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	1236.78	4.02
Within Groups	109	307.93	(0.05)
Total	110		

5/ Recipients per Worker

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	29,423.46	18.78
Within Groups	59	1,567.06	(0.00)
Total	60		

TABLE 7.C.7: CONTINUED

6/ Percent Receiving NDSL's

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.08	7.99
Within Groups	74	0.01	(0.01)
Total	75		

7/ No Exit Interview

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	691.27	8.18
Within Groups	73	84.51	(0.00)
Total	74		

8/Detect Departures

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	0.73	4.16
Within Groups	74	0.18	(0.04)
Total	75		

TABLE 7.C.8: COMPARATIVE PROFILES (MEAN STATISTICS) OF LOW AND HIGH NDSL DEFAULT RATE SCHOOLS, BY INSTITUTIONAL LEVEL AND CONTROL, PART 2: ACADEMIC YEAR 1978-79 1/

	INSTITUTIONAL LEVEL AND CONTROL					
	ALL		4-YEAR PUBLIC		4-YEAR PRIVATE	
	LOW 25%	HIGH 25%	LOW 25%	HIGH 25%	LOW 25%	HIGH 25%
Number odd Days After Which Borrow Is "Delinquent"	90.8(91)	100.0(89)	87.6(37)	107.1(36)	83.1(40)	97.1(40)
Percent Sending Warning Letter(s)	90.8(94)	77.9(95)	97.5(36)	90.8(38)	87.4(41)	80.9(41)
Percent Imposing Penalty Charges	18.7(94)	19.9(95)	10.7(36)	24.6(38)	26.2(41)	15.3(41)
Percent Turning Acount Over To An Attorney	38.0(94)	31.5(95)	44.9(36)	34.1(38)	39.3(41)	25.1(41)
Percent Turning Account Over To A Collection Agency	91.7(94)	95.2(95)	93.9(36)	96.6(38)	88.1(41)	91.3(41)
Percent of Defaulters Whose Addresses Are Not Known	10.7(89)2/	26.5(84)2/	11.5(36)5/	28.9(34)5/	10.0(39)6/	24.2(37)6/
Percent Using School Skip-Trace Only	20.9(94)	15.4(93)	23.5(36)	19.7(38)	24.5(41)	13.4(39)
Percent Using Commercial Skip-Trace Only	25.6(94)3/	49.3(93)3/	14.3(36)	33.2(38)	25.6(41)7/	52.1(39)7/
Percent Using School and Commercial Skip-Trace	52.3(94)4/	33.2(94)4/	62.2(36)	38.2(38)	47.3(41)	34.5(39)

1/ The number of institutions reporting is given in parenthesis.

Data are presented for all institutions and for 4-Year Public and 4-Year Private Schools. Data are not presented for other institution types because of the small number of institutions in each cell. These other institution types are included in the ALL column.

2/ Address Unknown

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	6518.77	17.96
Within Groups	102	362.95	(0.00)
Total	103		

3/ Commercial Skip-Trace

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	1.57	7.02
Within Groups	110	0.22	(0.01)
Total	111		

TABLE 7.C.8: CONTINUED

4/ School and Commercial

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	1.02	4.28
Within Groups	110	0.24	(0.04)
Total	111		

5/ Addresses Unknown

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	4620.21	11.04
Within Groups	59	418.42	(0.00)
Total	60		

6/ Addresses Unknown

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	3593.77	10.13
Within Groups	69	354.73	(0.01)
Total	70		

7/ Commercial Skip-Trace

Source of Variation	D.F.	Mean Square	F Ratio (Probability)
Between Groups	1	1.30	5.74
Within Groups	72	0.23	(0.02)
Total	73		

TABLE 7.D: RESULTS OF MULTIPLE REGRESSION OF NDSL DEFAULT RATE ON SELECTED CHARACTERISTICS OF INSTITUTIONS: ACADEMIC YEAR 1978-79 1/

Characteristic i	Run 1		Run 2	
	B_i	F_i	B_i	F_i
2-Year Public (0,1)	0.153	2.79	0.193	7.22
2-Year Private (0,1)	-0.073	1.02		
Selective (0,1)	-0.106	1.50		
Cost	-0.005	0.00		
Size	0.037	0.19		
Proportion Receiving NDSL Loans	0.012	0.01		
NDSL Recipients per Worker	-0.575	5.80	-0.565	8.82
Recipients per Worker Squared	0.338	2.61	0.345	3.60
Prior Counseling Only (0,1)	-0.131	3.13	-0.134	4.05
Counseling at time of Loan Only (0,1)	-0.048	0.40	-0.040	0.35
No Counseling (0,1)	-0.038	0.27	-0.074	1.32
Loan Statement Provided (0,1)	-0.035	0.24		
Percent of Recipients with no Exit Interview	0.180	5.71	0.205	9.86
Withdrawals Detected by Start of Term (0,1)	0.050	0.49		
Days After Which Account is Deliquent	-0.021	0.09		
Warning Letter (0,1)	-0.037	0.25		
Penalty Charges (0,1)	-0.060	0.71		
Lawyer (0,1)	0.043	0.35		
Collection Agency (0,1)	0.010	0.02		
Percent of Defaulters With Unknown Addresses	0.261	12.25	0.257	15.64
School Skip-Trace (0,1)	-0.009	0.01		
Commercial Skip-Trace (0,1)	0.004	0.00		

TABLE 7.D CONTINUED

Constant Term	0.233	0.198
R^2, $\bar{R}^2$	0.38, 0.28	0.34, 0.31
Number of Cases	252	270
Table F-Statistics at 5%	F(23,228)=1.58	F(9,259)=1.92
Table F-Statistics at 1%	F(23,228)=1.89	F(9,259)=2.50
Overall F-Statistics	3.66	10.76

1/ (0,1) indicates that the characteristic enters as a dummy variable. Statistics are explained in the accompanying text.

units of standard deviation of the default rate associated with a one standard deviation change in the variable in question. These beta coefficients are directly comparable among variables and represent the size of the contribution of each to explaining the variation in the default rate. These beta coefficients are unaffected by the units in which the variables are measured (i.e., pounds vs. ounces), but are influenced by the size of the variation in the explanatory variable. For example, the raw coefficient for a variable could be statistically significantly different from zero, indicating that one can, with a great deal of confidence, believe that the variable influences the default rate; but, if the variable in question does not vary much (its standard deviation is small relative to its mean), then the beta coefficient will be correspondingly small.

The column designated F_i contains the F-statistic for the coefficient. In general, a calculated F-statistic that is greater than its "table value" indicates that the probability of the true value of the coefficient being zero is less than the probability to which the table value refers (generally .05 or .01). The table value for the F-statistic will change depending on the number of observations for the regression and the number of explanatory variables used. Table values for both the five percent level and the one percent level are shown beneath each column.

Other statistics at the bottom of each column of Table 7.D include the raw value of the equation's constant term, the coefficient of multiple determination (R^2) and its adjusted value ($\bar{R}^2$), the number of cases upon which the regression was based (as the specification changes, the number of schools reporting information on all specified valuables changes), the table values of F-statistics at alternative confidence levels, and the overall F-statistic for the entire regression. The R^2 is the proportion of the total variance in the default rate explained by the regression. The $\bar{R}^2$ adjusts R^2 to account for the number of variables used in the equation. This adjustment is made because the R^2 increases by definition whenever an explanatory variable is added and this can be misleading if R^2 is used to judge the goodness of fit. This adjustment is not necessary as the number of observations becomes large. The last item is the overall F-statistic which essentially is an overall test of the significance of R^2, or the significance of the explanatory power of the total regression. The meanings of these statistics will become clear as they are used to analyze the results of the regression runs.

A total of 22 variables were used in the specification for the first run. These included a categorical variable for the 2-year public schools and another for the 2-year private schools. Proprietary institutions are excluded because none provided the necessary information. Four-year schools serve as the control group against which the others are measured. There follows a list of 20 variables which closely parallels the lists used in earlier tables in this chapter. The one variable which has been excluded here refers to the use of computers. Inclusion of this variable results in a severe reduction in the number of cases for which complete information is available.

One variable has been altered for purposes of this analysis and that is the level of effort variable. As noted earlier a high ratio of NDSL recipients to workers was thought to raise default rates but this expectation was not confirmed by the bivariate analysis presented earlier in this chapter. Because it is possible that the level of effort may be related to the default rate in a non-linear way, a second measure, the square of the first, has been added for the multi-variate analysis. Together these two variables can reveal whether or not the negative relationship between the workload variable and the default rate operates with diminishing effect or becomes positive with extremely high workloads.

The counseling variables included are also categorical representing counseling given prior to the loan only, at the time of the loan only and no counseling at all. The effects of these practices are measured against the excluded practice, namely, counseling prior to and at the time of the loan. Likewise, categorical variables are used to represent institutionally based skip-trace only, commercial skip-trace only and no skip-trace, the control group being those institutions which employ both institutionally based and commercial skip-trace practices.

The categorical variables enter the regression as "dummy" variables. Then are set equal to one if the institution is a member of the specified group and zero if it is not. The estimated regression coefficient for a dummy variable quantifies the effect of group membership on the default rate.

A total of six variables have significant coefficients at the one percent level. The significant variables are 2-year public schools, the ratio of NDSL recipients to financial aid office workers, the square of this variable, counseling prior to the issuance of a loan, the percent of departing recipients who do not receive an exit interview, and the percent of defaulters whose addresses are unknown. The direction of the relationship between each of these variables and the default rate is sometimes in the expected direction but sometimes it is not. Holding other factors constant, 2-year public schools have higher default rates than the 4-year schools and 2-year private schools have lower default rates than the 4-year schools. The workload variable has the negative effect we have come to expect but our suspicion of a non-linear relationship is confirmed; beyond some point more recipients per worker raises the default rate. Surprisingly, prior counseling only appears to result in a lower default rate than counseling prior to and at the time of the loan. Unfortunately the information needed to clarify this finding is not available. This would include information on the frequency of prior counseling and the quality of that counseling. As expected, the higher the percentage of departing borrowers not receiving an exit interview, and the higher the percentage of defaulters whose addresses are unknown, the higher the default rate is likely to be.

Approximately 30 percent of the adjusted variance is explained by the regression. The overall F-Statistic indicates that the explanatory power of the overall regression is statistically significant at the one percent level.

In order to improve the explanatory power of the regression, a second analysis was performed after reducing the number of variables to eight. The six variables with significant beta coefficients are retained. In addition, two insignificant dummy variables representing various counseling practices are retained. This is done because one of the counseling dummies is quite significant and is most readily interpreted in the context of a complete specification of all counseling possibilities. Even though only the statistically significant counseling practice is of interest, its relationship with the default rate cannot be properly isolated unless the other counseling practices are taken into account. By retaining the other counseling dummies, their effects are explicitly accounted for in the regression coefficients for the counseling variables.

The results of Run 2 are also shown in Table 7.D. The adjusted coefficient of multiple determination ($\bar{R}^2$) improved marginally and the overall F-Statistic increased substantially. Thus, the goodness of fit improved marginally, but the statistical significance of the explanatory power of the regression improved substantially. No sign changes are observed nor are there any sizable changes in the Beta Coefficients. In addition, all variables which were formerly significant remained so at the one percent level.

Student Vs. School Contributions to the Default Rate

In concluding this analysis of the NDSL program and institutional compliance with regulatory guidelines (and the consequent impact on NDSL default rates), it is appropriate that some attempt be made to identify those factors which are controllable by the institutions, and which appear to influence the NDSL default rate. Of course, all loan deliquency ultimately stems from the choice of the borrower not to repay the loan (some for good reasons and some not), but many of these choices can be forestalled or altered by actions taken by the school. Therefore, if such actions of the schools can be identified, appropriate policies can be developed to minimize the NDSL default rate.

Among the eight factors identified in Run 2 of Table 7.D, there are some obviously institutionally-related actions which can alter the default rate. One is an increased emphasis on prior counseling and the quality of this counseling. Another is an increased awareness of the importance of the exit interview and renewed efforts to ensure that more students receive such an interview.

The selectivity category of the school is in many respects under the long-run control of the institution through admission policies and the quality of education supplied by the school. However, the institutional policy and its impact on the default rate are remote, so that the most appropriate interpretation here is that this variable is student-related rather than school-related.

From the gross statistics, it was clear that 2-year public schools have higher average default rates as a class, and membership in this category of schools has continued to be significantly associated with higher NDSL default rates throughout the multivariates analysis. Some of the impact may be institutionally related in that all of the non-profit vocational-technical schools are included in this category, and these schools traditionally have lower "articulation" rates (i.e., fewer students continue on to upper level education). On the other hand, there may be significant differences in the composition of the student bodies and/or NDSL recipients of these schools which would tend to make the impact on the NDSL default rate student-based.

The previously conducted analysis of information provided by students during the site visit survey attempted to identify systematic differences in the characteristics of the undergraduate NDSL recipients between 2-year public schools and all other school types. The results of this effort are summarized here.[6/] NDSL recipients in 2-year public schools

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[6/] Final Report, Vol. I, pp. 10.44-10.47.

were found to be significantly older on average than recipients in the other school types--including the 4-year schools. This may reflect the influence of the vocational-technical schools on the summary statistics for in the 2-year public schools. Further, the NDSL recipients in 2-year public schools have lower taxable incomes (representing earning power) and higher nontaxable incomes, which largely compensate for the taxable income difference while in school. The problem is that much of the nontaxable income is not available following school when the loan is to be repaid. It was also observed that the living expenses of 2-year public school NDSL recipients are higher than in other schools and, further, that such living expenses are a greater percentage of the student budgets in these schools. This is due either to the special location and nature of these schools or to the added family living expenses to be expected of older students. The BEOG budget formula penalizes students in schools associated with high living expenses and low tuition and fees (e.g., 2-year public schools). They are penalized because the allowed living expenses are limited and tuition and fees are not limited in the BEOG need calculation formula.[7/] The half-cost provision of the BEOG regulations then, of course, amplifies the problem. Finally, the difference logically could be made up by SEOG funding, but the calculation of the need upon which the SEOG allocations to the schools is based, favors high tuition schools and penalizes the high living cost schools and students. Also, it may be difficult to get the SEOG aid to the student of 2-year public schools because of the SEOG matching aid requirement. These schools do not have the institutional and other aid resources that other institutional types have with which to provide matching funds. Because of the inadequacy of grant aid (BEOG and SEOG), students in 2-year public schools may have to resort to loans to a greater extent than is warrented by their economic condition. In any event, while the 2-year public school coefficient in Table 7.D.1 is not entirely student-related, it is also not school-related. Rather, it is largely program-related.

[7/] See Chapter 4 for a more detailed discussion.

Considering all of the regression results, on balance, most of the factors identified in this analysis are school-controllable. That is, the factors contributing to the high default rates for NDSLs are largely attributed to actions of the schools. Considerable care must be exercised with these findings, however, since, in spite of the high levels of statistical significance obtained, only about one third of the variation in NDSL default rates has been explained. That is, the analysis has reached clear conclusions with respect to only about one third of the problem. So, while some policy actions may be readily evident, they can be expected to solve only part of the problem; and the search of the causes of, and solutions to, the remaining part of the problem needs to continue.

E. SUMMARY

The National Direct Student Loan Program (NDSL) makes long-term, low interest loans available to needy students. An important feature of the NDSL program is its revolving capacity; as loan recipients repay loans, the money is redeposited for use by new loan recipients.

Federal guidelines serve to promote the purpose of the program. They are designed, in part, to minimize the impact of human error on the operation and financial viability of the program. The guidelines cover a broad range of activities from preloan counseling through potential legal action for collection of delinquent accounts.

Partially due to the complexity of the program compliance with the recommended and required procedures is less than complete. Compliance is lowest in the area of counseling prior to and at the time of the issuance of loans. Increases is rates of compliance are noted with regard to delinquent account activities as well as exit interviews, although a substantial number of loan recipients leave school without such an interview.

A topic of special concern is institutional "default rate." This rate, in effect, serves as a measure of success in loan collection activities. The default rate is defined as the amount of NDSL funds currently in default divided by the amount of NDSL funds currently in repayment status. The results indicate that 2-year public schools have the highest default rates, followed by proprietary, 2-year private and, finally, 4-year public and private institutions. An attempt is made to explore the compliance--default relationship but the exploration is partial because information on compliance is available for 1978-79 only, while the default rate is cumulative; based on practices engaged inthroughout the length of the institution's tenure as a participant in the NDSL program. Despite this limitation, consistent relationships are uncovered. Using a variety of statistical techniques, including multiple regression, it is found that the default rate is positively correlated with 2-year public schools, possessing a low number of NDSL recipients per financial aid office worker, failing to provide counseling prior to the issuance of loans, failing to provide exit interviews, and failing to maintain accurate information on the current whereabouts of loan recipients. These results and others reported in this chapter are signficant and serve to identify factors that influence the NDSL default rate and are under the control of institutions. Nonetheless, considerable care must be exercised in viewing these findings because the analysis succeeds in explaining only one third of the variations in NDSL default rates. Perhaps the most point made most evident by this analysis is that there is still a great need for further research using an expanded data base.

APPENDICES

APPENDIX A

MAJOR PROJECT DELIVERABLES

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MAJOR PROJECT DELIVERABLES

1) Stage I Final Report. Volume I: Federal Management Practices

2) Stage I Final Report. Volume II: Funding History and the Overall Achievement of Program Goals

3) Stage I Final Report. Volume III: Regional Office Procedures

4) Stage I Final Report. Volume IV: BEOG Simulation Study

5) Supporting Statement for the Request for OMB Clearance and Data Collection Instruments: Site Visit Study

6) Interviewer's Training Manual

7) Editor's Manual

8) Supporting Statement for the Request for OMB Clearance and Data Collection Instrument: Mail Survey of Institutions

9) Site Visit Report

10) Data Processing and File Documentation Report for the Student Survey

11) Sample Design, Yield, and Bias Report for the Student Survey

12) Yield Report for the Institutional Mail Survey

13) Data Processing and File Documentation Report for the Mail Survey of Institutions

14) Study of the Impact of the Middle Income Student Assistance Act (MISAA)

15) Final Report. Volume I: The Institutional Administration of Student Financial Aid Programs

16) Final Report. Volume II: Who Gets Financial Assistance? How Much and Why?

17) Summary Final Report

18) Guide to Selected Financial Aid Management Practices

19) Final Report: MISAA Impact Analysis

APPENDIX B

THE CURRENT FINANCIAL AID PROGRAMS ADMINISTERED BY THE U.S. OFFICE OF EDUCATION

APPENDIX B

THE CURRENT FINANCIAL AID PROGRAMS ADMINISTERED BY THE U.S. OFFICE OF EDUCATION

As discussed in Chapter 2, Congress has established within the U.S. Office of Education (USOE) a variety of student aid programs to remove the economic barriers to attendance at postsecondary institutions for persons from all classes of society who have the ability and desire to benefit from such education. To accomplish this objective, the Federal government offers three types of financial aid through five programs, all of which are based solely on the student's financial condition and are without regard to race, sex, his/her scholastic ability, desired course of study, etc. These programs of financial aid are divided into three types:

(1) Loans: funds which a student borrows and repays after graduation or termination; including,

  a) National Direct Student Loan (NDSL),
  b) Federal Insured Student Loan (FISL) or State Insured Student Loans (collectively known as the Guaranteed Student Loan program);

(2) Grants (or nonreturnable aid): funds which are gift assistance and need not be repaid; including,

  a) Basic Educational Opportunity Grant (BEOG),
  b) Supplemental Educational Opportunity Grant (SEOG); and

(3) Work: a program in which the student may earn a portion of his/her educational costs while attending school, namely, the College Work-Study (CWS) program.

Programs of Federal student financial aid vary as to the degree of direct responsibility the institutional aid administrator must assume. Those programs for which the institution has considerably more control and obligations--namely, the Supplemental Educational Opportunity Grant, the National Direct Student Loan, and the College Work-Study programs--have traditionally been called Campus Based or Institution Based to signify this greater involvement. They are different from the BEOG program under which students apply directly to the Office of Education for an entitlement which can then be carried to any school of their choice. The amount of the grant is outside the control of the financial aid officer.

a. The Basic Educational Opportunity Grant Program (BEOG)[1]

The BEOG program was authorized under Subpart 1 of Part A of Title IV of the Higher Education Act of 1965, as amended by the Education Amendments of 1972 and 1976. Its purpose is to provide eligible students with a "foundation of financial aid to help defray the costs of postsecondary education."[2] It is an entitlement program by which a student has the legal right to receive a grant if all application and eligibility requirements have been fulfilled.

The Basic Educational Opportunity Grant program is the newest of the Federal student financial aid programs and is designed to provide a "floor" upon which other financial aid programs are built. Unlike the National Direct Student Loan, College Work-Study, and Supplemental Educational Opportunity Grant Programs, there is no institutional allocation process. Rather, the institution receives the total amount needed to fund all eligible students in attendance. Students may apply either by completing a USOE Basic Grant application, or by indicating on the ACT, CSS, State of Pennsylvania, or State of New Jersey student aid forms their desire to have the data forwarded to the central processor in Iowa City where a nationally uniform formula, approved annually by Congress, is utilized. The result of this analysis is not subject to any discretionary latitude on the part of the financial aid officer, who must merely apply the result to a Payment Schedule based upon the student's cost of attendance (as defined by BEOG), and his/her enrollment status (half, three-quarter or full-time) and finally adjust it if the program is less than eight months in length or crosses the award period (7/1 through 6/30). Funds are normally disbursed through the institution, but a school may elect to have USOE make payments directly to the student.

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[1] The material provided here has been extracted from the Financial Aid Tool Kit, developed by Ms. Alice Diamond for the National Association of Trade and Technical Schools.

[2] Basic Grant Handbook, 1977-78, p. 1-1.

(See below, the Alternate Disbursement System (ADS).) The following is a summary of the major program characteristics:

Type of Aid: Nonrepayable gift assistance applied for directly through the Federal government.

Minimum and Maximum: During academic year 1978-79, BEOG scheduled awards ranged from $200 to $1,600 (e.g., for the academic year 1979-80 the maximum BEOG award was raised to $1,800). The range may vary yearly depending upon Congressional approval of funds. The Basic Educational Opportunity Grant is awarded by award period (July 1 through June 30th), rather than by the student's academic program, as is the case in Campus Based programs. If a student's academic year crosses the government's award period, it is necessary to file two applications--one for the period covering the remainder in the first award period, and the next for the ensuing award period.

Cumulative Awards: Normally, a student may receive BEOG for no more than four academic years. The exception to this is in the case of courses which are designed to extend for five years, or where remedial coursework necessitates one additional year. If the student has been attending parttime, and thus receiving reduced benefits, his period of entitlement will be proportionately extended so as to allow a maximum of four (or five, if applicable) full "Scheduled Awards." The BEOG program monitors the number of periods of eligibility used by each student. Students who have less than a full year of eligibility remaining will have this noted on their Student Eligibility Reports (SER). The institution should check this information to assure that no awards are made to students whose eligibility has expired.

Institutional Eligibility: In order to participate in the BEOG program, an institution must be certified as eligible by the Division of Eligibility and Agency Evaluation in the U.S. Office of Education. If the institution elects to disburse funds directly to the student (as do most institutions), an "Agreement Covering Institutional Participation in Programs of Student Financial Assistance" must be signed before funds will be authorized. In contrast to the Campus Based programs, no time lag between determination of institutional eligibility and student participation is necessary. Students enrolled in institutions which become eligible during a given award period may receive their full entitlement for the year even if the eligibility determination and receipt of BEOG authorization are not received until late in the year.

Program Eligibility: Within an institution's course offerings, certain programs may be designated as eligible, whereas others may be declared ineligible. This relates to the length of the course and whether a high school diploma or recognized equivalent is required of regular students. In addition to the program eligibility requirements outlined below for CWS, NDSL, and SEOG, to be eligible under BEOG, a program must lead to a degree or certificate in a recognized occupation.

Student Eligibility: Finally, student eligibility must be determined. In order to receive a BEOG, a student must:

1. be a U.S. citizen or national of the United States, or a resident of the United States for other than temporary purposes, as evidenced by an I-151 visa (permanent or resident alien card);
2. be enrolled in an eligible program in an eligible institution;
3. be enrolled at least half time (12 clock hours per week). Awards for students who are enrolled at least half time, but less than full time (24 clock hours), are proportionately reduced under this program;
4. be making satisfactory progress in his/her course of study;
5. not be in default on a loan obtained for attendance at the institution or owe a refund on a grant received at the institution;
6. be an undergraduate. If a student has received a bachelor's degree from another institution, he/she is ineligible to receive a BEOG despite the fact that the current level of training pursued is at the undergraduate level or that the previous institution was ineligible;
7. demonstrate financial need by means of the BEOG application.

Student Application Process: The student obtains either a BEOG application, the American College Testing application (Family Financial Statement--the FFS), the College Scholarship Service application (Financial Aid Form--the FAF), or if eligible to do so in the States of New Jersey or Pennsylvania, the appropriate state financial data collection forms. ACT, CSS, and the States of New Jersey and Pennsylvania have entered into contracts with the U.S. Office of Education to transmit the data received to the USOE processor for calculation. This system, called multiple data entry, is a boon to students and parents as it means that only a single form need be completed to determine eligibility to receive both Campus Based aid and/or BEOG.

After the application is completed, the student submits it either to the need analysis servicer being utilized (e.g., ACT or CSS), or to BEOG in Iowa City if the regular BEOG application has been used.

The processing center, based upon a formula approved by Congress, calculates the student's Eligibility Index and communicates this directly to the student's home via a Student Eligibility Report (SER).

The student submits his/her SER to the institution he/she plans to attend where the scheduled award is calculated based upon the BEOG cost allowances for the school, the student's Eligibility Index, and the Payment Schedule. Awards are further adjusted for less than full-time attendance and for academic periods less than nine months in length.

The institution requests from the DHEW Federal Financing Systems (DFAFS), via the Monthly Cash Request Form, an amount of cash sufficient to award first payments to those students starting classes during the month, as well as for subsequent disbursements for those students now qualifying for a subsequent payment.

The institution disburses the award to the student either by check or by credit to the student's account. In the latter case, a signed receipt or schedule of anticipated disbursements must be obtained from the student. The student must also sign an affidavit attesting to the fact that Federal aid dollars which he/she receives will be used for educational purposes.

Validation of USOE Selected Sample: In addition to the routine review which was always encouraged for financial aid officers with respect to a student sample selected by USOE, institutions will now be required to verify certain data elements before any disbursement of funds is made. This sample of 200,000 applicants will be selected primarily on the basis of criteria indicating a high probability of questionable data. A student so selected will have his/her SER "flagged" by an asterisk next to the eligibility index in the final award section. Additionally, the student will receive an accompanying letter and Validation Form with the SER. All subsequent application corrections made by the student during the year will also be flagged.

Award Disbursement: Payments must be made in equal amounts each semester, trimester, or quarter if the institution utilizes such academic units. If the school does not have such divisions, at least two disbursements must be made per year: once at the beginning and then again no earlier than the midpoint of the portion of the student's academic training falling in that award period.

The Alternate Disbursement System (ADS): The Alternate Disbursement System provides payments to eligible students enrolled at eligible institutions which do not wish to disburse payments directly to students.

Under the ADS system, a student completes Part A of a "second-stage" application (OE Form 304) and then submits it to the institution for certification. Copies of this completed form and the SER are then mailed back to the BEOG processor. After processing, a Treasury check for the first payment will be mailed, along with instructions for applying for subsequent payments (via the Form 304-1).

Application Deadlines: Applications for awards to cover the 1978-79 school year must have been received by the processor no later than March 15, 1979. This was also the deadline for receipt of Supplemental Forms. Corrections to previously processed applications must have been received by May 5. The exception to this is in cases selected for validation.

Institutional Reporting Requirements: Two types of institutional reports are required under the BEOG program:

A. The Progress Report

A report submitted three times a year (November 15, March 15, and July 15) which assesses current expenditures in order to determine if the institution's authorization should be raised or lowered.

B. The Student Validation Roster

An end-of-year report which reconciles fiscal accounts and gives a per-student reporting of expenditures.

b. The Supplemental Educational Opportunity Grant (SEOG) Program

The Supplemental Educational Opportunity Grant program (SEOG) is the current name for the Educational Opportunity Grant program which was authorized by Title IV, Part A, of the Higher Education Act of 1965 (P.L. 89-329), as amended.

The purpose of the SEOG program is to provide supplemental grants to assist qualified students who, for lack of financial means, would be unable to obtain the benefits of postsecondary education without such a grant.

Type of Aid: Nonrepayable gift assistance for the exceptionally needy student.

Minimum and Maximum: SEOGs range from $200 to $1,500 for an academic year. If the period for which the award is being made is less than 8 months or 900 clock hours, the applicable minimum and maximum are proportionately reduced. For example, if a student is enrolled in a six-month course with 600 clock hours, the minimum SEOG that could be received would be $150, and the maximum would be $1,125.

Cumulative Awards: There is also a maximum cumulative SEOG award of $4,000. Thus, if a student has received SEOG at another school, the institution must correspond with the other institution to learn the exact amount of the previous award.

Institutional Eligibility: In order to participate in the SEOG program, an institution must be certified as eligible by the Division of Eligibility and Agency Evaluation of the U.S. Office of Education.

Program Eligibility: Within the school's course offerings, certain programs may be designated as eligible, whereas others may be declared ineligible. To be an eligible program under SEOG, a course must be 6 months and 600 clock hours in length and, if a proprietary school, must admit as regular students only persons with a high school diploma or recognized equivalency or, if a public or other nonprofit school, admit only students beyond the compulsory age of school attendance who can benefit from a postsecondary program.

Student Eligibility: Finally, student eligibility must be determined. In order to receive an SEOG, a student must:

1. be a U.S. citizen, a resident of the Trust Territories of the Pacific, or in the United States for other than temporary purposes, as evidenced by an I-151 visa (permanent or resident alien card);
2. be enrolled at least half time (12 clock hours per week). A clock hour is defined as a 50- to 60-minute class, lecture, recitation, faculty supervised laboratory, shop training, or internship;
3. be making satisfactory progress toward a degree or certificate and be in good standing according to institutional standards;
4. not be in default on a loan received for attendance at the institution or owe a refund on a grant received at the school;
5. be of "exceptional" financial need. Exceptional financial need is defined as having a family contribution of less than one-half of the total costs associated with attendance at the institution.

Example:

	tuition and fees	$2,000
	books and supplies	175
	personal expenses	450
	transportation	250
	room and board	1,600
a.		$4,475
b.	family contribution	$2,000

Result: Student is eligible since family contribution (b) is less than one-half student budget (a).

6. be unable to pursue the course of study were it not for the SEOG. Because of the vagueness of this regulation, USOE has counseled institutions to take a common-sense approach. It is not expected that a student would be required to borrow the maximum allowable or to work an unreasonable number of hours per week. Rather, it is expected that attempts will be made to provide some "self-help" (loan or work) in each student's package unless documentable justifications exist as to why this should not be done.

7. be an undergraduate--whereas the training at the institution is always considered to be undergraduate in nature, it must be remembered that no student who has already earned a bachelor's degree may receive an SEOG. Therefore, if a student has received a bachelor's degree at another institution, he may NOT receive an SEOG by virtue of the fact that he is once again an undergraduate. This is true whether or not the first school is an eligible institution.

Method of Application:

1. For the Institution: The institution applies for these funds annually, for all eligible students, by means of the Tripart Application. The Tripart is normally due in mid-October for funds beginning in July of the following year.

   In order to receive funds, an institution must be declared eligible by the USOE Division of Eligibility and Agency Evaluation by January 31st of the year in which it will be receiving funds. Requirements for eligibility include national accreditation by the relevant USOE recognized accrediting body, course entrance requirements of a high school diploma or recognized equivalency, completion of OE Form 1059, and the signing of HEW Form 441, civil rights compliance.

2. For the Student: The student applies directly through the institution for such funds. An analysis of the student's financial need and the submission of various other forms are required.

SEOG "Matching": In determining the amount of SEOG to be awarded, the aid officer must bear in mind that a student receiving SEOG must also receive an equal amount of some other source or combination of sources of eligible aid funds.

The following are eligible sources of SEOG "matching funds":

1. College Work-Study
2. National Direct Student Loan
3. Basic Educational Opportunity Grant
4. Federally Insured Loan--ONLY IF A SCHOOL IS A DIRECT LENDER
5. Institutional employment
6. Outside scholarships from a private organization
7. State scholarships or grants
8. For other types of aid (i.e., grants not from a private organization or the state, and loan and work from any source) only if the institution selects the recipient and determines the amount of the award.

Award Disbursement: An SEOG must be disbursed at least twice during a student's academic year. If the institution utilizes quarters or semesters, it must disburse funds according to these divisions. If, on the other hand, it has no such academic terms, it is required to reserve at least half of the grant amount until the midpoint. No funds should be disbursed until the student actually starts classes. The SEOG may be disbursed 1) as a credit to the student's account, 2) by a check to the student which is then endorsed over to the institution for institutional charges, or 3) by a check to the student for living costs. If the award is disbursed as a credit to the student's account, a signed receipt by the student must evidence this disbursement.

In the SEOG program, a distinction is made between students who have previously received SEOG, and those for whom this is the first academic year of their award. The first-year award is called an initial year (IY) award, with subsequent awards deemed continuing year (CY) funds. In other words, a student should not receive CY funds until a full academic year has been completed and a new application, evaluation of need, and other documents have been collected.

Transfer Between SEOG and CWS: An institution is permitted to transfer up to 10 percent of its highest allocation between these two programs.

Reporting Requirements: In addition to the annual application for funds (the Tripart Application), the institution must file a final fiscal report on program activities. This report is normally due August 15th for the year ending June 30th.

c. The College Work-Study Program

The College Work-Study (CWS) Program was authorized by Title IV, Part C, of the Higher Education Act of 1965 (P.L. 89-329), as amended. The purpose of the CWS program is to extend part-time employment opportunities to students who are in need of the earnings from such employment in order to pursue courses of study at institutions of higher education. By subsidizing the part-time employment of needy students, the program is intended to promote the equality of educational opportunity at the postsecondary level.

Under the College Work-Study program, funds are provided to eligible institutions to create job opportunities for their students who are in need of such earnings in order to attend a postsecondary school. In profit-making, private vocational schools, all employment must be work in the public interest for public or private nonprofit off-campus agencies. No on-campus employment is permissible at these institutions. It must also be noted that proprietary schools may not hire students in nonprofit organizations which are owned or controlled by the school, or by the corporation, association, partnership or individual which owns or controls the proprietary institution. The only exception to the prohibition against "on-campus" employment would be vocational schools which are incorporated as private, nonprofit institutions and are so recognized by the Internal Revenue Service. If the institution is incorporated as a nonprofit entity, it may employ students at the school.

The institution is responsible for all phases of program administration including selection of recipients, determination of the award, job development, job placement, supervision, and maintenance of records. Under the CWS program, the Federal share of compensation is limited to 80 percent of the gross earnings. The agency must contribute at least 20 percent plus the employer's share of applicable taxes.

Type of Aid: Federally subsidized work opportunities for needy students who elect to earn a portion of their educational expenses.

Minimum and Maximum: There is no minimum or maximum award, except that the student's need, as determined by an approved needs analysis system, may not be exceeded. Students may work up to 20 hours per week at wages set by the employer in cooperation with the school, but not less than the applicable Federal, state, or local minimum wage. Students may be paid subminimum wages if the employer is eligible for an exemption from the minimum wage statutes.

Generally, a student may not work more than an average of 20 hours per week while classes are in session, averaged over the entire enrollment period. As many as 40 hours per week may be worked during vacation periods or at other times when classes are not in session. However, an institution may permit a student to average more than 20 hours per week (but never more than 40 hours in a given week) if the institution determines that the student's need is so great that it cannot be met from the earnings of lower per-week hours. In this case documentation should be on file in the student's folder.

Institutional Eligibility: In order to participate in the CWS program, an institution must be certified as eligible by the Division of Eligibility and Agency Evaluation of the U.S. Office of Education.

Program Eligibility: Within the school's course offerings, certain programs may be designated as eligible, whereas others may be declared ineligible. To be an eligible program under CWS, a course must be six months and 600 clock hours in length and must admit as regular students only persons with a high school diploma or the recognized equivalency.

Student Eligibility: Finally, student eligibility must be determined. In order to receive College Work-Study, a student must:

1 be a U.S. citizen, a resident of the Trust Territories of the Pacific, or in the U.S. for other than temporary purposes, as evidenced by an I-151 visa (permanent or resident alien card).

2. be enrolled at least half time (a minimum of six credit hours for college students, or 12 clock hours per week for vocational students). A clock hour is defined as a 50- to 60-minute class, lecture, recitation, faculty-supervised laboratory, shop training, or internship. If the school is a 2-year institution with a summer break, the student may continue his CWS employment during this vacation period although he is not actually enrolled.

3. be making measurable progress towards a degree or certificate, and be in good standing according to institutional standards.

4. have financial need as determined by a recognized needs analysis system.

Method of Application:

1. For the Institution: The institution applies for these funds annually for all of its eligible students, by means of the Tripart Application. The Tripart is normally due in mid-October for funds beginning in July of the following year. In order to rceive funds, an institution must be declared eligible by the USOE Division of Eligibility and Agency Evaluation by January 31st of the year in which it will be receiving funds. Requirements for eligibility include national accreditation by the relevant USOE recognized accrediting body, course entrance requirements of a high school diploma or recognized equivalency, the completion of OE Form 1059, and the signing of HEW Form 441, civil rights compliance.

2. For the Student: The student applies directly through the institution for such funds. Analysis of the student's financial need and the submission of various other forms are required.

Award Disbursement: Federal regulations require that students must be paid at least monthly. However, most institutions find that biweekly disbursements are preferable in meeting students' needs. It is not acceptable to directly credit any of the Federal portion of the paycheck to a student's tuition account. Rather, if the student has outstanding institutional charges, the institution must ask the student to endorse all or a portion of the check.

The final concern is to assure that a student does not exceed his earnings. Cumulative ledger cards are used for this purpose, and a letter must be mailed to the student and supervisor when a student approaches his CWS award. Regardless of whether the agency or the school is officially the employer, the school retains the responsibility for seeing that meaningful work is being performed. Occasional visits to the job site will provide documentation of this.

Job Location and Development Program: The Higher Education Amendments of 1976 provided for a special program by which the institution could use a portion of its Work-Study authorization to help find part-time jobs for its students. The use of the funds are not to be limited to finding eligible Work-Study positions, but rather can be used as well for locating jobs in the private sector for needy or nonneedy students.

Summer College Work-Study: If the institution is a 2-year program with a summer break, students may be employed during that vacation as long as they have filed a statement saying they intend to reenroll in the fall. If, at any time after signing such a statement, evidence is found that a student does not intend to reenroll, he/she must be terminated from his job immediately.

Students working during a summer period in which they are not enrolled must save the majority of their earnings for the next academic year. Current regulations require that after required taxes are deducted, a student's additional expenses may not exceed $300 or 20 percent of gross wages, whichever is less. Rare, well-documented exceptions can be made to increase these "costs" incident to employment to $600 or 40 percent of gross wages, whichever is less.

Reporting Requirements: In addition to the annual application for funds (the Tripart), the institution must file a final fiscal report on program activities. This report is normally due August 15th for the year ending June 30th.

Transfer Between SEOG and CWS: An institution is permitted to transfer up to 10 percent of its highest allocation between these two programs.

d. National Direct Student Loan

The National Direct Student Loan program (NDSL) (previously known as the National Defense Student Loan program) was established under Title II of the National Defense Education Act (NDEA) of 1958 (P.L. 85-864), as amended. The Education Amendments of 1972 (P.L. 92-328) transferred the program from the NDEA to Part E of Title IV of the Higher Education Act of 1965. The purpose of NDSL is to provide a loan fund at institutions of higher education for the purpose of making long-term, low-interest loans to qualified students in need of financial assistance. To be eligible, the student must pursue study on at least a half-time basis.

Ninety percent of new capital is provided by the Federal government with the remaining 10 percent being contributed by the institution. As with the other Tripart programs, the full administration of the program, including loan collection, is the responsibility of the institution.

An important element of the NDSL program is its revolving nature. That is, as students repay loan obligations, these funds are redeposited in the account for use by future enrollees. The revolving nature of the fund also makes it possible for the institution to carry over funds across fiscal years as long as the Federal funds are drawn down and matched prior to June 30th of the year in which they are authorized.

> Type of Aid: Long-term, low-interest loans are repaid at not less than $30 per month, beginning nine months after graduation or termination of at least half time study. Annual interest is three percent of the unpaid balance once payment begins.
>
> Minimum and Maximum: There is no minimum loan. The maximum total loan for students who have not yet completed two academic years of postsecondary education is $2,500.
>
> Institutional Eligibility: In order to participate in the NDSL program, an institution must be certified as eligible by the Division of Eligibility and Agency Evaluation of the U.S. Office of Education.
>
> Program Eligibility: Within the school's course offerings, certain programs may be designated as eligible, whereas others may be declared ineligible. To be an eligible program under NDSL, a course must be 6 months and 600 clock hours in length and must, if a proprietary school, admit as regular students only persons with a high school diploma or recognized equivalency or, if a public or other nonprofit school, admit only students beyond the compulsory age of school attendance who can benefit from a postsecondary program.
>
> Student Eligibility: Lastly, student eligibility must be determined. In order to receive an NDSL, a student must:
>
> 1. be a U.S. citizen, a resident of the Trust Territories of the Pacific, or in the United States for other than temporary purposes, as evidenced by an I-151 visa (permanent or resident alien card).
>
> 2. be enrolled at least half time (12 hours per week). A clock hour is defined as a 50- to 60-minute class, lecture, recitation, faculty-supervised laboratory, shop training or internship.

3. be making satisfactory progress toward a degree or certificate and be in good standing according to institutional standards.

4. not be in default on a loan received (GSL or FISL) for attendance at that institution and not owe a refund on a Federal grant received at that school.

5. have financial need as determined by a recognized need analysis system.

6. indicate a willingness to repay the loan. Regulatory language now prohibits the making of a loan to any student who indicates an unwillingness to repay. Delinquency on a prior loan, or a past history of poor debt payment, may be taken as evidence of unwillingness to repay.

Method of Application

1. For the Institution: The institution applies for these funds annually, for all of its eligible students by means of the Tripart Application. The Tripart is normally due in mid-October for funds beginning in July of the following year.

   In order to receive funds, an institution must be declared eligible by the USOE Division of Eligibility and Agency Evaluation by January 31st of the year in which it will be receiving funds. Requirements for eligibility include national accreditation by the relevant USOE recognized accrediting body, course entrance requirements of a high school diploma or recognized equivalent, course length of at least 6 months and 600 clock hours, completion of OE Form 1059, and the signing of HEW Form 441, civil rights compliance. In addition, (1) the institution must match Federally received funds with a contribution equal to at least one-ninth of the Federal dollars; (2) the institution is responsible for collection of the loans; and (3) collected dollars are reloaned to other students (without the requirement of additional matching).

2. For the Student: The student applies directly through the institution for such funds. An analysis of the student's financial need, a promissory note as evidence of the indebtedness, and the submission of various other forms are required.

NDSL Billing and Collection: Unlike other forms of student assistance, the administration of NDSL is far from completed when the money is disbursed to the student. In fact, the institution's responsibilities have just begun at that juncture. National Direct Student Loans are made without security, to students who are generally unemployed, without assets, extremely mobile, and usually without a tested credit rating. Thus, if the collection program is to be successful, institutions must often put forth efforts greater than those utilized in the collection of conventional loans. Good collection practice begins at the time the loan is made. It is now required by regulation that in addition to the "exit interview" necessary before a student leaves school, an entrance or initial interview must be held. This session, conducted by the financial aid officer at the time the first payment of the loan is disbursed, should at a minimum:

1. Enable the institution to gather vital information about the borrower. It has been found that if personal data such as credit card numbers, names of relatives, driver's license number, etc., are collected at this point in the aid process, the student will tend to give more accurate information than if asked for the same information at graduation when the purpose of such data collection is more evident.

2. Impress upon the student that this portion of his/her aid is a loan and must be repaid.

3. Allow the borrower to raise questions about procedures and terms of the NDSL. Care should be taken to inform the student both of his/her obligation and his/her privileges.

An exit interview must be conducted for each borrower before leaving school. By regulation, the institution must employ all means at its disposal to assure the student's attendance at such interviews. Like the entrance interview, the exit interview is both a give and take procedure. Information on the program will be provided by the aid officer, whereas the student will provide information useful should his account become delinquent. Topics to be reviewed include:

1. the grace period

2. terms of payment-repayment schedule

3. billing procedures (will it be from the institution or from a contracted billing service?)

4. interest, late charges

5. cancellation and deferment procedures

6. acceleration without penalty provision

7. notification of address change

A written record of the Exit Interview and a signed repayment schedule must be retained for program documentation purposes. At the school's discretion these interviews may be conducted on an individual or group basis.

APPENDIX C

STRATIFICATION OF INSTITUTIONS FOR THE SITE VISIT SURVEY AND THE INSTITUTIONAL MAIL SURVEY

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STRATIFICATION OF INSTITUTIONS FOR THE SITE VISIT SURVEY AND THE INSTITUTIONAL MAIL SURVEY

The stratification of institutions involves the use of the following variables:

- Level - Universities and 4-year schools, 2-year or less schools;
- Control - Public, Private Non-Profit, Proprietary;
- Size - categories of total full-time and part-time enrollment;
- Participation - BEOG-only, BEOG and Campus-Based;
- Selectivity - Selective, Not Selective;
- Cost - categories of total tuition and fees.

It is believed that these define subclasses which are both relevant from an analytical perspective and homogenous (i.e., minimum variance) with respect to the parameters of interest.

Detailed technical discussions of the systems of stratification and sample selection are found in Supporting Statement for the Request for OMB Clearance and Data Collection Instruments; Study of Program Management Procedures in the Campus-Based and Basic Grant Programs, August 31, 1978, prepared for the Office of Education under Contract Number OE 300-77-0498.

The following exhibit presents the final stratification of postsecondary institutions. Also shown are the population sizes and the number of respondents in every stratum.

STRATIFICATION OF INSTITUTIONS

Key: P = Population size
R = Number of Residents

PUBLIC		
TYPE	STATE AID	SELECTIVE
4 Year P = 577 R = 213	High P = 138 R = 53	Yes P = 56 R = 28
		No P = 82 R = 25
	Medium P = 284 R = 104	Yes P = 92 R = 50
		No P = 192 R = 54
	Low P = 155 R = 48	Yes P = 26 R = 13
		No P = 129 R = 35
2 Year P = 1,034 R = 117	High P = 265 R = 28	
	Medium P = 524 R = 54	
	Low P = 245 R = 35	

PRIVATE			
TYPE	STATE AID	SELECTIVE	SIZE
4 Year P = 1,173 R = 251	High P = 260 R = 65	Yes P = 122 R = 29	Large P = 80 R = 17
			Small P = 42 R = 12
		No P = 138 R = 36	Large P = 35 R = 9
			Small P = 103 R = 27
	Medium P = 696 R = 154	Yes P = 291 R = 75	Large P = 203 R = 55
			Small P = 88 R = 20
		No P = 405 R = 79	Large P = 120 R = 27
			Small P = 285 R = 52
	Low P = 217 R = 32	Yes P = 71 R = 6	Large P = 45 R = 5
			Small P = 26 R = 1
		No P = 146 R = 26	Large P = 58 R = 10
			Small P = 88 R = 16
2 Year P = 250 R = 59	High P = 66 R = 15		
	Medium P = 135 R = 31		
	Low P = 49 R = 13		

PROPRIETARY P = 1,991 R = 116	
TYPE	FEDERAL PROGRAMS
BEAUTY P = 936 R = 45	BEOG Only P = 764 R = 28
	Campus Based P = 172 R = 17
BUSINESS P = 400 R = 33	BEOG Only P = 198 R = 9
	Campus Based P = 202 R = 24
VOC-TECH P = 546 R = 37	BEOG Only P = 343 R = 20
	Campus Based P = 203 R = 17
OTHER P = 109 R = 1	

APPENDIX D

CASE WEIGHTS FOR THE INSTITUTIONAL MAIL SURVEY DATA FILE

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CASE WEIGHTS FOR THE INSTITUTIONAL MAIL SURVEY DATA FILE

The unit of analysis for this study is the institution type. The analysis consists of describing types and testing for significant differences between types. This Appendix describes case weights which are appropriate to this level of analysis. One weight has been calculated so that universe estimates are possible. However, the user should exercise caution because the sampling design was developed primarily to facilitate statistical significance testing; the study was not designed to produce universe estimates.

TYPE WEIGHT

This weight imposes the universe distribution of strata within institution types while retaining the unweighted sample sizes for each institution type. The latter feature is important since sample sizes affect the reliability of statistical tests for differences between institution types. The same TYPE WEIGHT is applied to every institution in a given stratum.

TYPE WEIGHT is defined as:

$$w(T) = \frac{P(S)}{R(S)} \times \frac{R(I)}{P(I)}$$

Where: $w(T)$ = TYPE WEIGHT

$P(S)$ = Population of Stratum

$R(S)$ = Respondents in Stratum

$R(I)$ = Respondents of Institution Type I

$P(I)$ = Population of Institution Type I

ALL WEIGHT

This weight adjusts for the fact that some types of institutions were deliberately over or under sampled. The adjustment is required when making estimates of parameters for the universe of all postsecondary educational institutions. This weight imposes the distribution of institution types found in the universe while retaining the total sample size. The same ALL WEIGHT is applied to every institution in a given stratum.

ALL WEIGHT is defined as:

$$w(A) = \frac{P(S)}{R(S)} \times \frac{R}{P}$$

Where: w(A) = ALL WEIGHT

P(S) = Population of Stratum

R(S) = Respondents in Stratum

R = Total number of Respondents (756)

P = Total number of postsecondary institutions in the universe (5,025)